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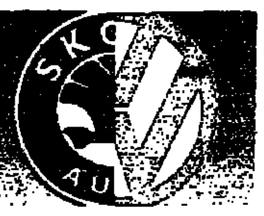

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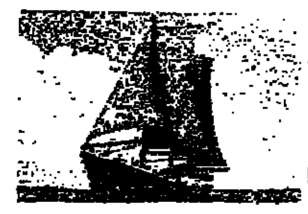

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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY MAY 12 1994 | D8523A

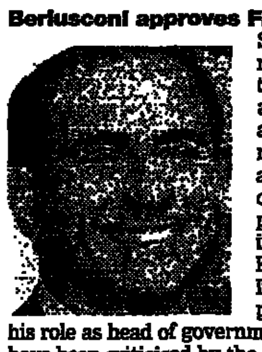
GM agrees $10bn injection to reduce pension liabilities

US vehicle-maker General Motors set about reducing its serious pension fund deficit when it agreed with government regulators that it would inject some $10bn of cash and stock into the scheme. The company had unfunded pension liabilities of some $22.3bn at the end of 1993, by far the largest of any US corporation. Page 15; GM in Indian joint venture, Page 15

Major will stay, says Hurd: UK foreign secretary Douglas Hurd said John Major would defeat any attempt to oust him as prime minister even if the ruling Conservative party loses 30 seats in next month's European Parliament elections. Page 14; European elections, Page 2; Samuel Brittan, Page 12

Paris faces flak over air route delay: The French government faces a possible clash with foreign airlines after blocking the start of flights from London to Orly airport, Paris, on Monday, the date set by British Airways and Air UK to start services. Page 14

Berlusconi approves Fininvest watchdog:



Silvio Berlusconi, the new Italian prime minister, left, yesterday approved measures at his first cabinet meeting to establish a three-man watchdog committee to monitor possible conflict of interest between his Fininvest media empire, Italy's second largest private group, and his role as head of government. The men chosen have been criticised by the opposition for being too close to the prime minister. Page 3

Bonn backs off on beef: Germany pulled back from an immediate ban on British beef imports but warned that a ban would be enforced if European agriculture ministers did not resolve the dispute later this month. Page 2

EU and Russia aim for free-trade zone: The European Union and Russia are set to seal a "partnership" agreement that should lead to a common free-trade zone by the end of the century, European Commission officials said. Page 2

Supreme Court choice narrows: Bruce Babbitt, US interior secretary, and two federal judges, Richard Arnold from Arkansas and Stephen Breyer from Massachusetts, head the list of possible successors as a US Supreme Court justice to replace Harry Blackmun. Page 5

Yemeni mediation offer: Yemen's northern leadership would consider mediation to end the country's civil war, newly-installed prime minister Mohammad Said Attar said. Page 4

Shell Transport and Trading, world's largest integrated oil company, reported steady first-quarter earnings of £949m ($1.3bn) as refining and marketing offset a steep fall in the oil price. Page 15

French rate cut: The Bank of France eased its key short-term interest rate amid signs that economic recovery is gaining momentum. Page 2

J Sainsbury, UK's largest grocery retailer, shrugged off the gloom that beset its January trading statement to announce an increase in underlying profits, and steadier gross margins. Page 16

Allianz premium income soars: Premium income at Allianz, Munich-based insurance group rose by nearly 20 per cent to DM65.5bn ($38.3bn) last year, the company disclosed ahead of its planned DM1.56bn rights issue. Page 15

Virani jailed in BCCI case: Nazmudin Virani, former property entrepreneur convicted of fraud over his dealings with the Bank of Credit and Commerce International, was jailed for two and a half years in London. Page 7; BCCI creditors still playing a waiting game, Page 7

UK output drops: British manufacturing output dropped slightly in March after two months of strong growth, surprising economists who had expected a rise in production. Page 8

Banda hope: Hastings Banda's Malawi Congress party could extend its 30-year rule by exploiting opposition divisions in next Tuesday's elections. Page 4

Munch on show again: Edvard Munch's masterpiece "The Scream" went on public display in Oslo's National Gallery for the first time since being stolen three months ago.

STOCK MARKET INDICES

FT-SE 100:	3,130.5	(-5.8)
Yield	3.88	
FT-SE Eurotrack 100	1,458.12	(+0.73)
FT-SE-A All-Share	1,578.05	(-0.2%)
Nikkei	20,150.13	(+232.35)
New York: lunchtime		
Dow Jones Ind Ave	3,644.21	(-12.2)
S&P Composite	443.25	(-2.76)

US LUNCHTIME RATES

Federal Funds:	3½%
3-mo Treas Bills: Yld	4.304%
Long Bond	84$\frac{17}{32}$
Yield	7.546%

LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Jun 103$\frac{11}{32}$	(Jun103$\frac{13}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$16.05	(16.11)

Gold

New York Comex (Jun)	$382.7	(379.8)
London	$382.9	(380.2)

STERLING

New York lunchtime:		
$	1.4945	
London:		
$	1.4886	(1.491)
DM	2.4911	(2.4907)
FFr	8.5443	(8.5297)
SFr	2.1269	(2.1307)
Y	155.509	(154.915)
£ Index	79.6	(same)

DOLLAR

New York lunchtime:		
DM	1.669	
FFr	5.7145	
SFr	1.42535	
Y	104.255	
London:		
DM	1.6735	(1.6705)
FFr	5.74	(5.7208)
SFr	1.4289	(1.429)
Y	104.47	(103.9)
$ Index	65.7	(65.6)

Tokyo close Y 104.12

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£250.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000	UAE	Dh12.00

Rivals say they underbid AT&T for Saudi deal

By Andrew Adonis in London

Controversy over the award by Saudi Arabia of a $4bn telecommunications contract to AT&T erupted into a bitter war of words yesterday, with rival suppliers claiming that they significantly underbid the US company.

Two of the companies also alleged that the technical evaluation of the bids was not completed before the contract was awarded to AT&T earlier this week.

The contract, one of the largest in telecoms history, is for the wholesale modernisation of the kingdom's telecommunications, including 1.5m new phone lines and a new cellular mobile network.

All the losers – Northern Telecom of Canada, Alcatel of France, Siemens of Germany and Ericsson of Sweden – believe the contract was awarded on political grounds, following intense lobbying by the Clinton administration and Saudi concern not to alienate the US.

Mr Graham Burke, Saudi Arabian general manager of Northern Telecom, said: "We were all surprised by the outcome. Where I come from, you don't reward third-placed finishers."

The company claimed that its bid for the 1.5m telecoms lines amounted to $3.2bn, with a five-year installation period – as against AT&T's winning bid of $3.9bn with a seven-year installation period.

AT&T dismissed the claims as "naive", and pointed out that the Saudi telecommunications ministry said AT&T won on cost, competence and technical superiority.

Mr Dan Hesse, chief executive of AT&T's international network systems, accepted that political pressure was a factor, but added: "For many years the US government has not supported US companies as have our foreign competitors. Now that the US is also supporting American companies abroad, we are hearing these complaints."

At the opening of the bids for the initial tender last September, AT&T's bid was significantly higher than those of Northern Telecom, Ericsson and Alcatel. Comparative and technical evaluation followed, but – the losers claim – was suspended a month ago before being completed.

"All of sudden, the evaluation groups stopped, and we heard a rumour that the number of lines was to be increased from 500,000 to 1.5m – for which we were not invited to bid," a senior Siemens executive said.

The award, as part of the deal, of a contract for AT&T to build a cellular mobile phone network to the pan-European GSM standard has aroused particular resentment.

AT&T has only one other public GSM contract in progress, in the United Arab Emirates, whereas the other suppliers are well established. Siemens has already installed a private GSM network in the kingdom for the royal family, with a capacity of 10,000 lines.

A similar controversy followed the recent award by Saudi Arabia of $6bn of aircraft orders to Boeing and McDonnell Douglas, after heavy lobbying by the Clinton administration.

Bundesbank cuts leading interest rates to 5-year low

German economists say half a percentage point drop will aid the reduction of monetary growth

By David Waller in Frankfurt and Philip Gawith and Sara Webb in London

The German Bundesbank cut its leading interest rates by half a percentage point yesterday to the lowest for five years, improving prospects for European economic recovery.

The Bundesbank reduced its key discount rate to 4.5 per cent, the lowest since June 1989. Six other European central banks also eased interest rates yesterday. The Lombard rate, which sets a ceiling for German money market rates, was cut to 6 per cent.

The Bundesbank said the move, accelerating the pace of German interest rate cuts, was justified by the domestic outlook for inflation, now down to 3.1 per cent in west Germany. Mr Theo Waigel, German finance minister, welcomed the cuts as strengthening Germany's economic recovery this year.

In an explanation marking a shift in its traditional response to fast-expanding money supply, the Bundesbank said the cut would help reduce monetary growth by encouraging investors to move funds away from bank deposits into bonds.

On the foreign exchanges, the Bundesbank's move failed to strengthen the dollar. The US currency rose to a high for the day of DM1.6820 after the rate cut, but then slid by nearly a pfennig to close in London at DM1.6735. Analysts said this showed the dollar would not rise without a tightening of monetary policy by the US Federal Reserve, generally expected to be imminent. In Europe the D-Mark finished mostly firmer against the French franc, closing at FFr3.430 from FFr3.424.

On European bond markets, the cuts triggered initial rallies, but overall gains on the day were held in check as traders and investors took profits.

Among other countries that eased credit yesterday, central banks in Italy, Denmark and Austria cut their discount rates to 7 per cent from 7.5 per cent, to 5 per cent from 5.25 per cent and to 4.5 per cent from 4.75 per cent respectively.

The Dutch central bank cut its special advances rate to 5.1 per cent from 5.3 per cent. Belgium cut the central rate to 5.35 per cent from 5.45 per cent. The Bank of France cut its intervention rate to 5.5 per cent from 5.6 per cent before the Bundesbank council met yesterday morning.

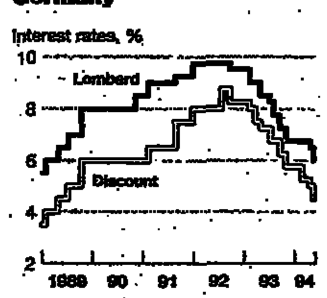
The Bundesbank cuts took many economists by surprise. Broad money supply, or M3, grew at a revised annualised, seasonally adjusted rate of 15.4 per cent in March, well above its 1994 target of 4 to 6 per cent, although the expansion has slowed from the 20 per cent-plus rate earlier this year.

German economists said, however, that the reductions were understandable in the light of recent dollar weakness. "The Bundesbank has taken advantage of an ideal constellation of circumstances," said Mr Martin Hüfner, chief economist at the Bayerische Vereinsbank.

Mr Adolf Rosenstock, chief economist at the International Bank of Japan in Frankfurt, said the monetary easing was consistent with last week's Bundesbank's support intervention for the dollar.

The Bundesbank believes this year's money supply figures have been distorted by special factors. Some economists, however, questioned the logic of the Bundesbank's argument that reduction of short-term rates would damp money supply growth by encouraging depositors to move money into long-term funds.

Germany



Source: Datastream

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Triumphant: A member of the first contingent of Palestinian policemen to move into the Gaza Strip raises his AK-47 rifle and gives the victory sign to the crowd gathered below his vantage point on top of the police building at Deir el Balah. In the compound are several vehicles donated by the US to the newly-formed Palestinian police force. Reuter

Mandela gives home ministry to Buthelezi

By Mark Suzman and Gordon Cramb in Johannesburg

Mr Nelson Mandela, South Africa's new president, yesterday named Chief Mangosuthu Buthelezi, his main black political rival, to an influential post in his government of national unity. The move lends substance to the call for political reconciliation he made at his inauguration on Tuesday.

Chief Buthelezi accepted the post of home affairs minister, a portfolio which is likely to give him authority over a large part of the civil service. However, control over the country's police force and other security services has been retained by Mr Mandela's African National Congress, which would also be expected to monitor closely the Chief's ministerial decision-making.

The appointment of Chief Buthelezi is one of three full ministerial positions allocated to his Inkatha Freedom party, which decided to participate in South Africa's first all-race elections only 10 days before polling started last month. The other two Inaktha portfolios will be arts and sciences, and correctional services.

Under the country's interim constitution agreed after multi-party talks last year in which Chief Buthelezi did not participate, all parties which won more than 5 per cent of the vote were entitled to cabinet representation. Cabinet posts yesterday

Continued on Page 14

Bangemann urges speedier liberalisation of telecoms

By Lionel Barber and Emma Tucker in Brussels

The European Commission is preparing plans to accelerate the liberalisation of the telecommunications market in Europe, including proposals to allow cable television companies to compete with state telecoms monopolies.

The deregulation drive reflects the view in Brussels that the agreed timetable for the 12 EU member states to dismantle barriers in the European telecoms market by January 1, 1998, is being overtaken by market forces.

Acceleration would be selective, but would still amount to a minor revolution, a senior Commission official said, adding: "Certain people will lose some of their privileges."

According to drafts circulating in Brussels, the proposals fall short of allowing operators to set up alternative voice networks. This is in line with the agreement to delay full liberalisation of telecom services until 1998.

Plans to allow cable television networks in Europe to introduce services, such as telebanking or closed user networks, would nevertheless give a fillip to the manufacturing and software sectors.

It would also offer an enticing market for British companies which, alone in Europe, have been allowed to operate freely in this sector for the past two years.

But a Commission-led push to introduce alternative networks risks running into opposition from state monopoly operators, such as France Telecom and Telefonica of Spain, which view the deadline as sacrosanct.

Mr Martin Bangemann, EU industry commissioner, is leading the debate on liberalisation. He is chairing a group of industrialists reporting on how Europe can exploit new information technologies in health, banking and telecoms to create jobs and catch up with the US.

The group includes Viscount Etienne Davignon, head of Société Générale de Belgique, and Mr Carlo de Benedetti, head of Olivetti, the Italian computer group. It will submit recommendations to the 12 heads of government at the European summit in Corfu next month.

Mr Bangemann is said to be reluctant to scrap the deadline outright because it was based on a "fragile consensus" between a UK-led liberalising lobby and the traditionalists grouped around France, Spain and Greece. But, along with Mr Karel Van Miert, EU competition commissioner, he believes there are ways of speeding liberalisation.

One EU official said there was a consensus in Brussels that deregulation was inevitable, but the Bangemann group had to recognise political constraints. "The message must be clear, credible and operational," he said.

A second factor in the discussions is the incoming German presidency of the EU. Germany has already signalled its intention to make deregulation in sectors such as energy a priority.

Officials fear Mr John Major, the British prime minister, and Chancellor Helmut Kohl may turn the Corfu summit into a deregulation celebration, provoking a backlash which could hurt the plans for telecoms.

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NEWS: EUROPE

Emu fans ready to move the goalposts

Prospects for a single currency are brighter as economies recover and politicians prepare to ease the terms

By Lionel Barber and David Marsh

EUROPEAN ELECTIONS June 9 and 12

In Britain, the issue of economic and monetary union (Emu) has lit a fuse along the European election trail. In the rest of the continent, the subject is being given a lot less attention. None the less, the question of whether policies aimed at establishing Emu are consistent with efforts to bring down unemployment has explosive potential.

Across the continent, the fiercest discussions over whether Emu will take place by the Maastricht target dates of 1997 or 1999 are taking place in northern Europe.

Despite Britain's "opt-out" from participation in a single currency, 'Eurosceptics' in the ruling UK Conservative party this week have focused on the Emu plan in their calls for a referendum on the shape of Europe.

In Germany and France, left- and right-wing anti-Maastricht parties are aiming for support on the somewhat contradictory basis that the Emu plan will undermine both German and French sovereignty.

In France, support for the *franc fort* policy remains solid among the political establishment. Yesterday's ½ point cut in Bundesbank interest rates will give the Bank of France more leeway to bring down interest rates and speed recovery from France's longest period of economic doldrums since the second world war.

On the other hand, if anti-Emu parties – including dissident conservatives led by Mr Philippe de Villiers, the right-wing National Assembly deputy – gain more than 20 per cent of the votes on June 12, that could unsettle France's pro-Maastricht stance.

By contrast, public debate on Emu in southern countries is far more muted. In Italy and Spain – traditionally strong supporters of Emu but beset by domestic political uncertainties – Emu comes well down the list of election issues.

The new government in Rome headed by Mr Silvio Berlusconi appears likely to take a more nationalistic line in promoting Italian interests in Brussels. Pushing for the lira's early return into the mainstream of European monetary integration is not expected to be one of them.

Nevertheless supporters of Emu across the continent have recovered their poise after setbacks caused by the ERM exit of Britain and Italy in September 1992 and the emergency widening of fluctuation bands to 15 per cent last August. By deterring speculators, wider ERM bands have reinforced currency stability.

Since last summer, ERM central banks have lowered interest rates only gradually rather than resorting to competitive devaluations.

"The spread [of interest rates] between Belgium, the Netherlands, Luxembourg, France and Germany is now so small that we are virtually in a monetary union," says one central bank governor.

One problem is that the Maastricht treaty limits Emu participation to currencies which respect "the normal fluctuation bands for two years." However, in coming months European finance ministers are expected to agree a generous interpretation of this condition. They are likely simply to apply the test of whether exchange rate movements have been minimal.

The European Commission has set up a study group to prepare the change to the Ecu as a new European currency. An advisory report is due by the end of October. Commission officials say they are using Britain's "exemplary" decimalisation in 1971 as a model for a single currency.

A large stumbling block is, however, the slow recovery from recession. Sluggish economic performance and rising government borrowing and debt levels have seriously impeded EU states' ability to fulfil some of the most important "convergence criteria" set down at Maastricht to determine countries' eligibility to take part in Emu.

The treaty lays down four numerical criteria determining countries' Emu suitability, concerning inflation rates, budget deficits, interest rates and debt levels. No EU state last year fulfilled all four criteria, although five – France, Ireland, Luxembourg, the Netherlands and the UK – satisfied three of them.

For watchers of the Maastricht criteria, Germany is a particular worry. Germany satisfied only two of the criteria last year, and German public sector debt will exceed the target level of 60 per cent of GDP in 1995 as the result of extra debt stemming from German unification.

Even for some low inflation countries, rigid adherence to the Maastricht debt targets will be very difficult.

An analysis by the Belgian finance ministry shows that Belgium would need a primary budget surplus (the budgetary balance before interest charges) of 6 per cent of GDP a year for the next 15 years to reduce Belgian public sector debt to 60 per cent of GDP by 2009.

The Maastricht treaty does allow for a liberal interpretation of whether member states comply with the criteria. Countries deemed as tackling their deficits seriously would have a chance of joining Emu if they can prove that their public finances are moving in the desired direction.

But to supporters of Emu, Belgium remains a natural candidate for a "hard core" currency club, despite its high government debt. This point was made in Paris last month by Mr Alain Lamassoure, the French minister for European affairs, who said forcefully the convergence criteria had to be "complemented by political considerations".

Public statements like this, however, can be counter-productive. In the light of public worries in Germany about the replacement of the D-Mark by a European currency, politicians in Germany are allergic to suggestions that the convergence criteria could be diluted.

In a ruling firmly backed by the Bonn government, the German constitutional court laid down last October that Emu could go ahead only on the basis of strict adherence to the criteria.

One senior German politician says in private: "Anyone who thinks he can circumvent [the criteria] by political considerations will have to go before our High Court" – a sign of the political battles over Emu still in store.

Governments in trouble over Maastricht convergence

Target	France (3)	Ireland (3)	Luxembourg (3)	Netherlands (3)	UK (3)	Belgium (2)	Denmark (2)	Germany (2)	Spain (1)	Greece (0)	Italy (0)	Portugal (0)
Inflation A	2.1*	1.4*	3.6	2.1*	1.6*	2.8*	1.3*	4.2	4.6	14.4	4.5	6.5
Deficits B	5.9	3.0*	2.5*	4.0*	7.8	7.4	4.4	3.3	7.2	15.4	10.0	8.9
Interest rates C	6.8*	7.7*	6.9*	6.3*	7.5*	7.2*	7.2*	6.5*	10.2	21.2	11.4	12.5
Debt D	44.9*	92.9	10.6*	83.1	53.2*	138.4	78.5	48.9*	55.6*	113.6	115.8	69.5
Political position	Right split before May 1995 presidential poll	Coalition government riding high	Elections next month	Difficult coalition talks after elections	Major under attack over Europe	Precarious coalition government	Election due by December	Kohl faces battle in October elections	Gonzalez in trouble over corruption	Papandreou ailing	Uncertainty over Berlusconi policies	Elections due October 1995

All figures for 1993. Source: European Commission, national statistics. *Maastricht targets fulfilled. Figures in brackets indicate number of Maastricht criteria met.
A – Annual change in consumer prices, should not be more that 1.5% above three lowest EU inflation rates. B – General government budget deficit as percentage of GDP, should not exceed 3 per cent.
C – Yields of long term government bonds, should not exceed yields of the three lowest inflation countries by more than 2 points. D – General government debt as a proportion of GDP, should not exceed 60 per cent.

Belgians prepare for 'short and sober' poll

The Euro-parliament election in Belgium won't take anyone's breath away, writes Emma Tucker

On June 9 when Belgians cast their votes in the European elections the turnout will be high. Very high.

Not because Belgians are fiercely interested in European affairs, nor particularly because they wish to pass judgment on the domestic government. The votes will pour in because Belgium is one of only three countries in the European Union where voting – whatever the election – is compulsory.

So, like the young man lethargically cutting the grass in the capital's pretty Parc de Bruxelles (who had not even heard of the European elections), many Belgians will go to the polls simply to avoid paying a fine.

"I won't put anything on my paper," he says. "I'll pick it up and put it straight in the box."

The general indifference towards next month's elections is partly because the political parties have yet to launch their campaigns. There are no political hoardings and scant leafleting. With restrictions on how much the parties can spend on their campaigns now in place, the hustings are anyway likely to be "short, sober and without any fuss", as the Libre Belgique newspaper put it yesterday.

When the campaigns do begin, the election will be presented as more of a test for Belgium's political parties in the regions than for the two-year-old federal coalition government, in spite of opposition parties' inevitable attempts to dress up the elections as a "national test".

The government has crawled back up the polls from a low-point last June when high unemployment, labour unrest and the European currency crisis sent support for the fragile coalition down to 18 per cent of the population. Rumours that Mr Jean Luc Dehaene would succeed Mr Jacques Delors as president of the European Commission have enhanced the Belgian prime minister's personal standing.

In Wallonia, the French-speaking region of Belgium, the ruling Socialist party faces its first electoral test since three of its senior politicians were forced to resign their ministerial posts over alleged involvement in a shady arms deal with the Italian company Agusta. Support in the region has drifted down to around 30 per cent with Ecolo, the French-speaking Greens, expecting to capitalise most on the Socialists' disarray.

In the Dutch-speaking Flanders region, the revamped Flemish Liberal Democrat party (VLD) is hoping to win more seats than the ruling CVP Christian Democrats – Mr Dehaene's party – which has been in power in Flanders since the Second World War.

"These may be European elections, but the national debate is more important than the European debate," said Mr Willy De Clercq, a Belgian Euro-MP who represents the VLD. "If we do well in these elections, and then repeat the score in October's local and provincial elections, that will put heavy pressure on the federal government."

In Brussels, Belgium's third region, the balance has also been disturbed by scandals. Here, the PSC, the French-speaking Christian Democrats, has lost most support as a result, although its descent has not been as sharp as the PS in Wallonia.

One last source of interest will be the performance of the extreme right – represented by the Vlaams Blok in Flanders – reminiscent of South Africa's die-hard racist community – and by the National Front in Brussels and Wallonia. Although support for the extreme right has dwindled over the past year, one in 10 say they would support it in Brussels and Flanders, and one in 20 in Wallonia.

Efficiency 'must be priority for EU policy'

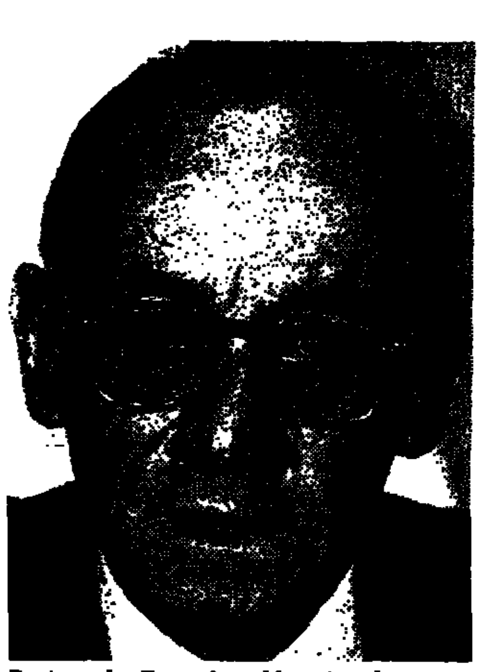
QUESTIONS ON EUROPE

Edzard Reuter, 66, chairman since 1987 of German industrial group Daimler-Benz. A long-standing member of the Social Democratic Party, Reuter has presided over Daimler-Benz's diversification into the high technology and aerospace business.

Can Germany give a lead in attempting to steer Europe out of its political and economic difficulties? There can be no doubt that Germany has an important role to play, as Europe's largest country in terms of population and with its sound economic basis. No European nation alone can face all the challenges. These are problems we need to solve together – because they are European problems. We must remember that Europe does not just consist of the EU. The development of social and economic stability in eastern Europe will greatly influence the future of Europe as a whole.

Should the European parliament be given greater powers? An integrated legal system is a pre-requisite for effective relationships with partners outside the EU. I believe that the EU is developing from an economic community into a political union; an internationally recognised political force. This has brought with it many rights, but also many duties, in particular a duty towards political integration incorporating a strong democracy.

Where do you think the EU should place its greatest priorities in economic and social policy during the next three to four years? We must strive to improve the structures and efficiency of our economies. That means developing innovative products and gaining access to new markets. We have to exploit our creativity and increase our flexibility. The sooner we do this, the better. Protectionism does not help anyone. We need to be in a position to stand up to worldwide competition.



Reuter: solve Europe's problems together

Should the EU during the next few years give priority to deepening the current level of integration of the 12 members, or to widening it towards eastern Europe?

Both goals must be pursued simultaneously.

What is the earliest EU membership by the Czech republic, Hungary and Poland might be practicable? We must take care not to put the existing community under unnecessary strain. The expansion of the EU must be carried out step by step and not overnight.

Is the aim of economic and monetary union by 1997 or 1999 still practicable? Yes – and that I can say with every confidence. The concept for European monetary union revolves around the principle of stability, ruling out the possibility of sudden fluctuations which can produce destructive effects in business. Monetary integration is without a doubt an integral element of economic as well as political integration.

What other objectives should the EU follow? Economic integration alone will not be enough to create a stable European Union. The other objectives of the Maastricht Treaty, a common foreign and security policy, must be implemented without undue delay.

THE FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363 Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE

Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK

Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Yeltsin seeks improved G7 and Nato deals

By Quentin Peel in Bonn and Bruce Clark in London

President Boris Yeltsin yesterday called for full participation by Russia in the international organisations of the west, *including an expanded Group of Seven industrialised nations, and for a special deal to be negotiated with Nato recognising the size and strength of its armed forces.*

In exchange, he promised that he would not approve any increase in military spending above the level of 1993, and reluctantly accepted that the ceremony to mark the final departure of Russian troops from Germany would be separate from the rest of the western allies.

He also specifically endorsed Germany's attempt to become a permanent member of the UN security council.

Mr Yeltsin, on the first day of a three-day official visit to Germany, won the backing of Chancellor Helmut Kohl in his call for full membership of a G8 from next year. Mr Kohl also called for rapid moves to bring Russia into the Gatt, and the Council of Europe.

However, Mr Kohl stopped short of offering Mr Yeltsin any precise improvement in the "partnership for peace" package proposed by the Nato allies for all central and east European states.

The strains in relations between Russia and Nato were underlined yesterday when Air Marshal Sir Richard Vincent, *the chairman of the alliance's military committee, abruptly shelved plans to visit Moscow.*

While the postponement was officially attributed to "scheduling problems", it is understood that the Russian side was reluctant to delegate anyone of sufficient seniority to organise the air marshal's reception.

This would suggest that even those Russian defence officials who feel relatively sympathetic to Nato are reluctant, in the new nationalist climate, to be seen holding high-profile meetings with western officials.

The two leaders were at great pains to stress their *excellent personal relations, in spite of the host of sensitive issues between them.*

The Russian president admitted that the question of the departure ceremony for Russian troops from Germany, scheduled for August 31, was one which could "destabilise the political situation in Russia".

In the event, the two agreed to abandon an initial ceremony in the *historic* town of Weimar – close to the site of the Buchenwald concentration camp – and focus everything on a "*dignified* ceremony" to be held in Berlin. Final details have yet to be hammered out, *but it will obviously stop far short of the joint military ceremony with the other western allies sought by the Russian commanders.*

In return, Mr Kohl gave his endorsement to the Russian bid for full membership of an expanded G7, instead of the current arrangement which gives Russia involvement only in "political" questions at the forthcoming Naples summit.

EU and Russia close to partnership pact

By David Gardner in Brussels

The European Union and Russia are preparing a "partnership" agreement which should lead to a common free trade zone towards the end of the century, European Commission officials said yesterday.

The two controversies which have snagged the negotiations for 18 months, over Russian uranium exports and Moscow's treatment of European banks operating in Russia, have been ironed out, and the agreement now awaits endorsement by European Union foreign ministers meeting in Brussels on Monday.

"We have a written agreement from the Russians," said an aide to Sir Leon Brittan, the trade commissioner who last week arrived at a formula with Mr Alexander Shokin, Russia's deputy prime minister.

France, the EU's largest producer as well as consumer of enriched uranium for its nuclear power plants, has been concerned about being undercut by Russian exports of nuclear fuel. The EU as a whole has insisted that Russia's December 1993 decree restricting activities of foreign banks went against the grain and scope of the partnership agreement.

On Monday, EU foreign ministers are expected to agree that a safeguards regime against sudden influxes of Russian uranium should operate until 1997. The safeguards would be triggered only after consultations with the Russian authorities, who have agreed to stabilise export flows.

In the banking sector, the 1993 decree will not apply to the five banks – ABN Amro, ING, Credit Lyonnais, Société Générale and Dresdner Bank – already operating in Russia before it came into force, and with small exceptions, newcomers will get the same treatment as Russian banks. The main restriction, to be reviewed after five years, will be that EU banks cannot exceed 12 per cent of the total capitalisation of the Russian banking system.

The decision on whether conditions are ripe for setting up a full-scale free trade zone will be taken in 1998, although since February most EU quotas on Russian imports have already been removed.

EUROPEAN NEWS DIGEST

Bonn postpones UK beef ban

Germany yesterday pulled back from an immediate ban on British beef imports but warned that a ban on "mad cow" beef was now official government policy and would be enforced if European Union agriculture ministers did not come up with a solution at their next meeting in late May.

The cabinet has told Mr Horst Seehofer, the health minister, that he can impose a four-year ban on all cattle over three years old after final consultations with Chancellor Helmut Kohl. The foreign and agriculture ministries and the farmers' union have argued that a ban is unenforceable as British beef can reach Germany via third countries. The ban may also be illegal under European law, but a health ministry spokesman said the measure had been approved by the justice ministry and is "most definitely legal".

EU agriculture ministers have so far resisted restrictions on the movement of beef and a Bonn official said he was "very, very sceptical" that after five months of "very intensive" negotiations any additional measures would be agreed. Mr Seehofer said he had received countless reports that meat imports from Britain had fallen in recent months, given the media coverage of the subject. In 1992, the last year for which figures are available, Germany imported 2,092 tonnes of British beef. *Michael Lindemann, Bonn.*

New terms for Ekostahl deal

Riva, the Italian privately-owned steel company, will not buy eastern Germany's largest steel mill under the terms of the current contract, the Treuhand privatisation agency indicated yesterday.

After failing yesterday to broker an agreement between Riva and IG Metall, the engineering union, the Treuhand, desperate to keep Riva on board, agreed with the Italian company to start drawing up a completely new contract, although any successful outcome cannot be guaranteed. In a move which could now jeopardise the entire future of Ekostahl, Riva wants to buy only the assets of the company, instead of its original intention to create a joint stock/share company. The disagreement between Riva and IG Metall had focused on how the workforce would be reduced by 700 to 2,300 by the end of this year, what would happen to the small companies which had been hived off from Ekostahl, but are still dependent on the mill for orders, and the composition of the supervisory board. *Judy Dempsey, Berlin.*

Bosnian Serbs threaten advance

Mr Radovan Karadzic, Bosnian Serb leader, yesterday signalled that his forces might move to widen their land corridor, renewing fears of an escalation in the fighting around Brcko, north-eastern Bosnia. The statement followed UN confirmation of a Moslem attack on Brcko on Tuesday night which killed three people. As the Bosnian Serb assembly met for the second day in Brcko, Mr Karadzic said: "The corridor must be strategically deep enough to defend." His remarks heightened fear of clashes because the corridor is 6km wide and not thought of as "defensible". He warned that the "criminal behaviour of the Moslems and Croats" will make the "Serbs cede much less land than they hope for". International mediators have called on Bosnian Serb leaders, who currently control about 70 per cent of Bosnia, to hand over enough land to give the Moslem-Croat federation 51 per cent of the war-torn country. *Laura Silber, Belgrade*

Moves on Macedonia blockade

Mr Cyrus Vance, UN mediator in the dispute between Greece and Macedonia, will make a fresh attempt today to persuade Greece to lift a trade blockade against the former Yugoslav republic. While there are few signs that a breakthrough is imminent, Mr Vance's revised version of a draft accord, rejected by both sides last month, avoids the difficult issue of Macedonia's name, while meeting both Greek and Macedonian conditions for re-starting talks. Mr Vance will have separate meetings with Mr Christos Zacharakis, secretary general of the Greek foreign ministry, and Mr Stevo Crvnkovski, the Macedonian foreign minister. The draft provides for Greece to raise its trade embargo. Macedonia would drop the Vergina star, associated with the ancient Macedonian dynasty in northern Greece, from its flag, and declare it had no territorial claims on the Greek province of Macedonia. *Kerin Hope, Athens*

UN makes Balkan cash appeal

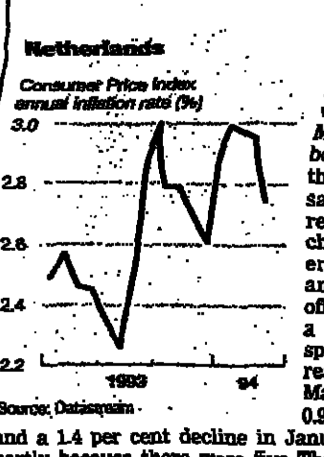
The United Nations yesterday appealed for \$532m (£364.3m) for humanitarian aid from now until the year end for the 4m people in ex-Yugoslavia. The UN Department of Humanitarian Affairs (DHA), on behalf of 11 UN agencies, said the priority was still "basic survival needs for the displaced and the destitute" but the UN system was primed to shift efforts to rehabilitation and reconstruction if political developments allowed. The UN refugee agency, which is asking for \$236m for the remainder of the year, is spending a \$918,000 a day on humanitarian assistance in former Yugoslavia. *Frances Williams, Geneva.*

IMF approves Romanian loan

The International Monetary Fund yesterday approved a 19-month loan agreement for Romania worth \$700m (£479.4m), its first new loan to the country in nearly two years. Under the deal, Romania has agreed to bring annual inflation down to two digits by the end of the year from the present 265 per cent, to speed up privatisation and restructuring of the state sector, which still accounts for more than 90 per cent of industry, and to maintain internal convertibility of the leu, the national currency. IMF approval of the loan package, agreed in principle last December, was delayed due to the government's slowness in drafting new tax laws and its 1994 budget. *Virginia Marsh, Bucharest.*

ECONOMIC WATCH

Dutch inflation declining



Source: Datastream

Dutch inflation is continuing to slow. In the year to April, *the consumer price index rose by 2.8 per cent, compared with a 2.9 per cent increase in March and 3.0 per cent in both January and February,* the Central Statistical Office said. The April rise partly reflected higher telephone charges and increased government duties on alcohol and petrol. The statistical office also reported yesterday a rise in Dutch consumer spending to 2.5 per cent in real terms in the year to March. This compared with a 0.9 per cent rise in February and a 1.4 per cent decline in January. The sharp increase is partly because there were five Thursdays in the month compared with four in March 1993. Shops in many Dutch cities stay open late on Thursdays. *Ronald van de Krol, Amsterdam.*

■ March retail sales in Germany rose a seasonally adjusted 1 per cent from February in both nominal and real terms and rose a real 2 per cent and nominal 3 per cent year on year, the Federal Statistics Office said.

■ Sweden's consumer price index rose 0.4 per cent in April from March bringing the annual inflation rate to 1.8 per cent in April, unchanged from a month earlier but down from 5.1 per cent in April 1993, the national statistics agency SCB said.

■ Austria's merchandise trade deficit widened significantly in March, to Sch12.3bn, 21 per cent higher than in February and 29 per cent higher than in March, 1993, the Austrian National Bank reported yesterday.

Berlusconi approves Fininvest watchdog

By Robert Graham in Rome

Mr Silvio Berlusconi, the new Italian prime minister, yesterday approved measures at his first cabinet meeting to establish a three-man watchdog committee to monitor the conflict of interest between his Fininvest media empire and his role as head of government.

Twelve days ago, on being asked to form a government, he announced the committee and named its three components. His move yesterday, immediately after his 25-person cabinet was sworn in, underlined his concern to allay fears over the potential conflict of interest between Fininvest, Italy's second largest private group, and his position as prime minister.

The men chosen have been criticised by the opposition for being too close to Mr Berlusconi and Fininvest's interests. Mr Agostino Gambino, a commercial law professor, has worked for Fininvest on several cases including the battle for publishers Mondadori. A second member, Mr Antonio La Pergola, a former head of the constitutional court, has lobbied in Brussels on behalf of commercial television in matters of advertising slots. The committee has been given until the end of September to draw up recommendations on changing existing anti-trust laws. They could also look further into the idea of creating a blind trust for Mr Berlusconi's proprietary interests. So far Mr Berlusconi has only resigned from Fininvest which has seven members of parliament as well as the chief of staff in the prime minister's office – Mr Gianni Letta.

The problem of conflict of interest is unlikely to go away quickly. The sole television channel showing the swearing ceremony live was Fininvest's TG4. This has long catalogued Mr Berlusconi's every political move.

The issue was also brought up on several occasions by President Oscar Luigi Scalfaro during Mr Berlusconi's tortuous efforts to form a government. This led to a block on Mr Cesare Previti, Mr Berlusconi's personal and Fininvest lawyer, going to the justice ministry. It was deemed unacceptable for the justice portfolio to be held by Mr Previti when magistrates in several Italian cities were investigating the activities of Fininvest.

This block, , coupled with an open warning to Mr Berlusconi on the conduct of his government soured yesterday's swearing-in ceremony.

The warning, contained in a letter, said the new government must support Italy's traditional foreign policy of support for Europe, avoid tampering with the unity of Italy and preserve social peace. This was seen as an implicit reminder that members of the new right-wing government are Euro-sceptics and favour federalism and economic deregulation that could lead to social strife.

Most press comments yesterday said Mr Berlusconi had been obliged to make big concessions to his allies, the populist Northern League and the neo-fascist MSI/National Alliance. The League forced him to concede the interior ministry and five other portfolios.

Mr Lamberto Dini, the new treasury minister and number two at the Bank of Italy, indicated he would resign shortly from his position at the central bank. He had welcome news from the discount rate cut by the Bank of Italy in line with the Bundesbank. The half percentage point cut to 7 per cent could even remove the need for a mini-budget before the summer.

Man with a finger on Italy's pulse

Maroni: known as diplomatic

By Robert Graham

As deputy prime minister and interior minister, Mr Roberto Maroni is the linchpin of the Northern League's presence in the new government. His working relationship with prime minister Silvio Berlusconi will also be central to the smooth functioning of the cabinet.

The 39-year-old lawyer from Varese, with a permanent cheeky grin and a grubby beard, has emerged over the past two years as one of the most formidable political talents in the country. He has demonstrated an unusual flare for second-guessing his garrulous and unpredictable leader, Mr Umberto Bossi.

His smooth tongue has constantly been needed either to take the sting from Mr Bossi's comments or give them a diplomatic spin.

The lawyer from Varese has emerged over the past two years as one of the most formidable political talents in the country

He is genuinely loyal to Mr Bossi with whom he has shared more than a decade in the political wilderness, building up a grassroots movement in Lombardy against all odds, and with virtually no money. He revealed recently that Mr Berlusconi had tried to persuade him to leave the League and join Forza Italia; but he insists his loyalties are with the League and the movement's commitment to write a new federal constitution.

He has certainly played his hand well with Mr Bossi to obtain the interior ministry. The League set its sights on this portfolio because it controls the pulse of the nation through the network of prefects and because it oversees local government. Now he will now have to absorb the innate tensions between the League and Mr Berlusconi. These will surface after the European elections since the League risks being submerged by Forza Italia. As an accomplished jazz saxophonist he may well find himself playing the blues on several occasions in coming months.

Euro-sceptic who takes Chicago line

Martino: PM's valued adviser

By Robert Graham

Unlike one new minister swapped from eight different portfolios during the gestation of the new Italian cabinet, Mr Antonio Martino was always favourite for just one job – the one he got, foreign minister.

The 51-year-old Mr Martino is a "Euro-sceptic" and instrumental in bringing the ideas of the Thatcher-inspired Bruges group to Italy. However, it would be wrong to see Mr Martino as anti-European. Rather he is a European who has imbibed the free market economic teachings of the Chicago School to become according to one colleague "more Chicago Boy than the Boys themselves". He sees the Maastricht treaty and monetary union as constraints on a genuine single market.

The foreign minister describes himself as a liberal who admires Margaret Thatcher

Unlike Mrs Thatcher, whom he admires, Mr Martino regards himself as an old-fashioned liberal. Though Forza Italia is the first political party he has joined, he was to his embarrassment a member of the secret Masonic lodge, P2(Mr Berlusconi was also a member). He says when he realised the scope of P2 he immediately renounced membership.

He caught the attention of the prime minister-designate while venting his forthright opinions on Italy's over-regulated economy in the column's of the media magnate's daily, Il Giornale. For the past year he has been Mr Berlusconi's economic adviser and played this role throughout the elections.

One of the mysteries behind the formation of this cabinet is the way once the elections were over his name did not surface as candidate for one of the three economic portfolios. Perhaps other members of the economic team were out of sympathy with Mr Martino's radicalism, or he himself preferred the challenge of the foreign ministry.

Interest rates cut as French sense recovery

By John Ridding in Paris

The Bank of France yesterday took a further step in easing monetary conditions, trimming its key short-term interest rate, amid signs that economic recovery is gaining momentum and that inflationary pressures remain weak.

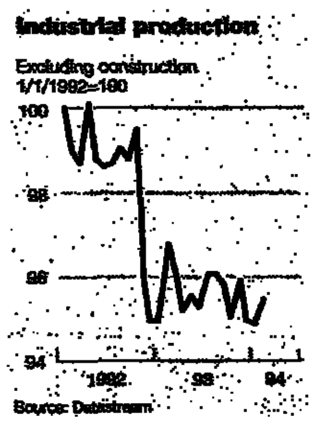
The decision to lower the intervention rate, the floor for money market rates, from 5.6 per cent to 5.5 per cent, is the third small cut in three weeks and reflects the central bank's strategy of easing borrowing costs in line with the reduction in Germany's repo rate.

The move coincided with the release of encouraging industrial production data. According to Insee, the national statistics office, industrial production rose by 0.6 per cent in February, compared with January. The increase in industrial production was supported by strong manufacturing output, which has risen in each of the past four months, partly reflecting the impact of a sharp increase in car sales.

Economists said they saw little evidence that reviving economic activity was re-kindling inflation, although data released yesterday showed a slight rise in annualised inflation in April to 1.7 per cent. "Inflation is very low, and I think it will remain at about the 1.5 per cent level for this year," said one economist at a French merchant bank.

The trends will be welcomed by the prime minister, Mr Eduard Balladur, whose decline in opinion polls has begun to reverse in the past few weeks. Officials at the economy ministry said that the statistics confirmed their predictions of progressive recovery this year after the 1 per cent contraction of gross domestic product in 1993. "We are seeing a gradual, but steady improvement," said one official, who said that the government's forecast of 1.4 per cent GDP growth this year was likely to be surpassed.

Industrial production



Source: Datastream

France's improved economic recovery has, however, made little impact on unemployment, which currently stands at 12.2 per cent of the workforce. A spokesman for the economy ministry said that the unemployment statistics of the past few months had shown a stabilisation in the jobless rate. But he added that a further increase was possible during the summer as school leavers arrive on the labour market.

Private sector economists in Paris endorsed this view, stressing the gradual nature of France's economic recovery and the caution expressed by industry. Companies such as Rhône Poulenc, the pharmaceuticals and chemicals group, say they see signs of recovery but that a strong improvement in demand is not expected until the end of this year.

Brussels puts UK behind on growth

By Emma Tucker in Brussels

Growth in the UK will lag behind the rate of economic expansion in Germany, France and Italy by as early as next year as higher taxes take their toll on British consumers, the European Commission said yesterday.

In its latest assessment of economic prospects for the 12 member states of the European Union, the Commission said it was confident recessionary forces were dissipating and that the projected recovery would be "widespread". The Union's GDP is now expected to expand by 1.6 per cent this year and 2.5 per cent in 1995.

But for the UK, where consumer spending has been the motor behind the recovery, last month's tax increases are expected to slow the rate of overall growth from 2.5 per cent this year to 2.3 per cent in the next by hitting the pace of consumer spending. The forecasts are not significantly out of line with the UK Treasury's own projections but have been downgraded from the previous set of commission figures. In spite of the rosier outlook for growth, Mr Henning Christophersen, vice-president of the Commission, warned that the recovery would have little impact on Europe's grim unemployment figures. This year nine, and next year six, of the member countries will experience increases in unemployment.

"In 1995 France and Italy could join Denmark, Ireland and the UK in registering a moderate decline in unemployment," said the commission.

Inflation is likely to ease further over the next two years dropping to an overall 3.3 per cent this year and 3.9 per cent in 1995. Mr Chistophersen said that a "broad majority" of member countries was expected to respect the inflation criterion contained in the Maastricht treaty next year. Greece, Spain and Portugal were the exceptions. Falling real labour unit costs, institutional changes in wage setting procedures and steps to establish the independence of central banks were all helping to shore-up the favourable outlook for inflation.

China steps up reform of state sector

By Tony Walker in Beijing

China plans to earmark some 10,000 state-owned enterprises for an appraisal of their stocks and assets, including real estate, as part of a new drive to reform the ailing state sector.

Mr Wang Zhongyu, minister of the State Economic and Reform Commission, speaking at an international business seminar in Beijing yesterday, unveiled proposals to speed a process of corporatisation, a Chinese half-way house between rigid state control and privatisation.

Mr Wang's remarks were the most detailed exposition of China's plans to rationalise its debt-burdened state sector, and indicate that the authorities may have advanced further than expected with their plans for enterprise reform.

The Chinese official also disclosed that "watchdog" supervisory boards will be imposed on some 1,000 state enterprises as part of attempts to improve their economic performance.

Some 100 state-owned enterprises would become shareholding companies under a pilot programme to facilitate their removal from stifling state management control. The states' share in these enterprises would be assessed according to a valuation of their assets.

Mr Wang identified difficulties in establishing the value of assets and a redefinition of the relationship between the state as a substantial shareholder and the managers of enterprises as one of the largest challenges to far-reaching reforms of the state sector.

He discounted the possibility of any rush to privatisation, saying the "state economy could not be replaced by other sectors of the economy" without undermining the system.

"Our enterprise reform will, on the premise of adhering to public ownership, explore the approach of accelerating the development of enterprises and effectively realise the form of public ownership," he said.

Mr Wang noted that China's 11,000 large and medium-sized state-owned enterprises accounted for 0.16 per cent of total industrial enterprises in the country, yet their output value and tax were respectively 36.67 per cent and 51.6 per cent of the total.

He did not provide details of the 10,000 state enterprises chosen for an appraisal of their assets. Estimates of numbers of large, medium-size and smaller enterprises range between 150,000 and 200,000.

China's State Statistical Bureau reported that at the end of March nearly 50 per cent of China's state enterprises were in the red, compared with 32 per cent a year earlier. Losses to March amounted to Yuan15.6bn (£1.2bn), up 80 per cent on the same period last year.

Dove who shook Rabin's machine

Haim Ramon: the man to watch UPP

Julian Ozanne profiles Haim Ramon, the political earthquake

His enemies dubbed him a traitor and political opportunist. His friends said he was the brilliant rising star of the Labour party, but yesterday all Israelis agreed Mr Haim Ramon was now the man to watch.

The sweeping victory of the 44-year-old lawyer in nationwide elections to lead the Histadrut, the country's trade union federation and Labour party powerbase, is viewed in Israel as a political earthquake.

For the first time in 73 years, Histadrut control has been wrested from Labour. Mr Ramon, standing on a hastily put-together independent list, has defeated the well-oiled political machine of the Labour party and humiliated the old-guard leadership.

By so doing, he has catapulted a younger generation eager for reform into the political limelight.

Born in a working-class neighbourhood in Jaffa, he has also emerged as heir-apparent to Mr Yitzhak Rabin as prime minister. "A sweeping victory of the new Israeli generation," an editorial in yesterday's Yediot Ahronot said. "The vote was a protest against conservatism. The change now has to be deep, a revolution in the Histadrut and in the foundations of the whole Israeli political structure."

Mr Ramon immediately promised to introduce the health bill he tried to push through when Labour's health minister, aimed at breaking the link between compulsory Histadrut membership and the health service. He also promised to slash Histadrut's bureaucracy, sell off many assets and companies and introduce a new pension scheme.

"People will rise free all around the country, free of the apparatus of fear, free of political terrorism," he said.

Since entering politics 20 years ago, Mr Ramon has shaped himself as a dove on the peace issue and a reformer in social matters. He favours reforming the Labour movement. One of his targets has been the dominant power of organised labour. He advocates a social market philosophy.

The affable Mr Ramon was elected to the Knesset (parliament) in 1983. Between 1988-1992 he was chairman of the Labour parliamentary faction, before Mr Rabin chose him as health minister. Mr Ramon has always been in the peace camp. He claims to have been the first, in 1987, to propose an Israeli withdrawal from the Gaza Strip. As a member of the cabinet, he pressed Mr Rabin to open a dialogue with the Palestine Liberation Organisation, then still a taboo in Israeli politics.

Mr Ramon emerged as the charismatic leader of the "Group of Eight", young left-wing Labour politicians including Mr Yossi Beilin, deputy foreign minister, who met as a virtual shadow cabinet to discuss how to change the party. But until February Mr Ramon was determined to fight from within. When the cabinet refused to back his health bill, he quit.

"He could have ended up in the political wilderness," says a friend. "But he had a brilliant sense for what ordinary people want; he grasped their desire for change." Now, Mr Ramon can call the shots.

North Yemen offers mediation

By Eric Watkins in Sanaa and Mark Nicholson in Cairo

Yemen's northern leadership would consider mediation in an effort to end the country's civil war, now in its second week, the newly-installed prime minister, Mr Mohammad Said Attar, said yesterday. But any mediation must take place within the framework of a unified and democratic Yemen, he insisted.

Mr Attar's comments followed reports of an apparent halt in the advance of northern military units towards Aden and in other parts of the former South Yemen. Observers in Sanaa said the halt may reflect a slightly more conciliatory attitude among the northern leaders.

Arab League officials were due to arrive in Sanaa last night in an attempt to broker a ceasefire. The small delegation, led by Mr Mohammed Said al-Bereqdar, the league's assistant secretary-general for military affairs, left southern Saudi Arabia by road yesterday. League officials said the delegation would also attempt to contact leaders in the south.

Egypt, Jordan, Syria and Oman have each in the past few days appealed to leaders in north and south Yemen to resume dialogue.

Military observers in Sanaa confirmed yesterday that northern forces had been beaten back as they tried to enter Aden from the east. One observer said the northern Amaaliga Brigade had come under heavy attack from a combination of southern air, sea, and ground forces. The northern brigades had also been halted about 30 miles north of Aden, the observer added.

Southern forces have meanwhile kept up pressure on the north with continued missile attacks. Some 23 people were killed and many others injured yesterday, following the explosion of a Scud missile.

The presumed target of the attack was a nearby palace belonging to the northern leader, General Ali Abdullah Saleh. Northern officials claim that the south has now launched some 20 Scud missiles against targets in the north.

Despite the new attacks, life in Sanaa is slowly returning to normal. Electrical supplies have been fully restored, but the authorities have yet to resume direct telecommunications links in an effort to control sensitive military information. Links between Aden and the outside world appear to be fully restored, with reports indicating the mood of the city remains calm.

Mr Attar claimed yesterday that northern forces had so far shown considerable restraint towards the south, particularly Aden. He said the northern leadership had no animosity towards the southern people, or the southern-based Yemen Socialist party. He insisted the northern government was opposed only to certain elements within the YSP politburo which had sought to divide the Yemeni state.

But Mr Attar also referred to the southern opposition as rebels and secessionists. The northern leadership, he said, was the party of constitutional legitimacy. Gen Saleh last week insisted that the conflict was purely an internal affair and he warned against any attempt by outside forces to intervene.

Ivory Coast imposes commodity export tax

CFA devaluation bites deep

By Leslie Crawford, Africa Correspondent

Mr N'Goran Niamien, Ivory Coast's new finance minister, is putting a brave face on the devaluation which halved the value of his currency, the CFA franc, last January.

"It was not an easy measure to take, but it has pulled our economy out of a recession," he said yesterday, during the annual general meeting of the African Development Bank in Nairobi. "Our economy should grow by 2 per cent this year, and by 5 per cent in 1995."

A new export tax on cocoa and coffee, Ivory Coast's biggest foreign exchange earners, will replenish the Treasury's empty coffers with 190bn CFA francs (£223m) this year, according to Mr Niamien. This will let the government repay its debts to private sector contractors, freeing resources for private investment.

Last January, 13 central and west African states devalued their CFA franc, which had been fixed at 50 to the French franc since 1948. The new parity was fixed at 100 CFA to the FFr. The devaluation was virtually imposed by western donors concerned at the loss of competitiveness of the CFA trading bloc. The CFA franc continues to be freely convertible and backed by the French treasury.

The international community has stepped in to soften the blow. For Ivory Coast, whose $20bn external debt makes it the world's most indebted nation in per capita terms, donors have put together a financial assistance package worth 650bn CFA francs. The Paris Club of creditor nations have also rescheduled Ivory Coast's obligations and written off part of its debt.

For the remaining CFA countries, help is at hand. France has promised to write off more than one-quarter of the FFr80bn (£9.4bn) owed by its former colonies. The IMF pledged up to FFr10bn to mitigate the impact of devaluation.

The IMF is also rushing through soft-loan agreements – Senegal, Niger and Ivory Coast have already benefited – which can pave the way for debt relief at the Paris Club.

The World Bank says it is fully committed to co-finance economic growth in the CFA zone now that devaluation has made genuine structural adjustment possible.

Mr Mamadou Diallo, director of debt at the Senegalese Treasury, also sees some encouraging responses to the devaluation. "The tourism sector has rebounded with considerable strength," he said yesterday in Nairobi. But unlike Ivory Coast, Senegal has resisted slapping taxes on exports. "We want our exports to become more competitive," he says, "a tax would defeat the logic of the devaluation."

Like many finance officials in the CFA zone, Mr Diallo does not see the devaluation as a panacea for their countries' ills: "We need new investment to make our industries more competitive; but where will this money come from?"

Perhaps the worst impact of the devaluation, however, is the emergence of inflation in countries which had never felt its destabilising effect because of the stability and convertibility of their currency.

In Cameroon, where civil servants are already reeling from a 50 per cent pay cut, the government has increased prices for basic foods and drugs by up to 75 per cent.

In Senegal police have been ordered to control hoarding by traders. They closed some shops in Dakar and seized stocks. Mr Diallo estimates inflation will rise to 40 per cent by the end of 1994.

Ivory Coast has telephone hotlines to report unjustified price increases. But it too is struggling with inflation now running at an annualised rate of 30 per cent.

Nuclear team for N Korea

The United Nations nuclear watchdog agency will visit communist North Korea in the next few days to resume monitoring its secretive nuclear facilities, South Korea's foreign ministry said yesterday, Reuter reports from Seoul.

A ministry spokesman said Mr Hans Blix, director-general of the International Atomic Energy Agency (IAEA), had announced the inspection trip in a letter to North Korea's foreign minister Kim Yong-nam, a copy of which was sent to Seoul.

He said the IAEA had also invited North Korea to send a delegation to its Vienna headquarters to discuss a timetable for inspections.

The announcement raises hopes that the Stalinist North may be willing to compromise on its earlier refusal to allow IAEA inspectors to sample spent fuel rods.

These will shortly be removed from a nuclear reactor at Yongbyon, north of Pyongyang.

The IAEA said last week it would not send an inspection team to North Korea until Pyongyang allowed experts to carry out full tests on the spent nuclear fuel, to see if any has been diverted for a covert nuclear weapons programme.

Early elections demanded

Socialists urge Japanese poll

By William Dawkins in Tokyo

Japan's opposition Social Democratic party yesterday called for an early general election, as the only way to achieve a stable government.

Mr Tomiichi Murayama, party chairman, suggested the minority five-party coalition and opposition parties should agree to an early poll under the current multi-seat constituency electoral system.

This is the clearest sign yet the socialists want to bring down the government before the establishment, possibly by late autumn, of the new electoral system, a mixture of single-seat districts and proportional representation.

The SDP's move came as the Bank of Japan also called for the new government to show leadership, a reflection of anxiety that political turmoil of the past few months might spill into the economy. "We want the government to show leadership in tackling domestic and international economic issues confronting the Japanese economy, such as deregulation and market-opening measures," Mr Yasushi Mieno, central bank governor, said.

Mr Murayama's proposal received an unsurprising rebuff from Mr Tsutomu Hata, the new prime minister. "There are undoubtedly people who don't really want to see political reform. The coalition government is still in place and it's not the time to dissolve the house," he declared.

However, the Liberal Democratic party, the largest opposition group, yesterday showed it was also preparing for an early poll by opening a campaign headquarters.

● Demand for credit continues to weaken, according to the Federation of Bankers' Associations of Japan. It reported yesterday that outstanding loans by the the 11 top commercial banks fell 0.4 per cent in the year to April, the fourth month of decline.

UN ponders Rwanda troop airlift

The United Nations is considering airlifting at least 5,500 troops to Rwanda to ensure the safety of refugees and delivery of humanitarian aid, AP reports from New York.

Mr Boutros Boutros Ghali, the UN secretary general, announced that Nigeria, Ghana and Tanzania had offered the troops and the 15-nation Security Council was beginning discussions of the plan yesterday evening. A final decision was not expected until the end of the week.

Despite the urgency, the troops will be able to do nothing to stop the genocidal slaughter, which has already claimed up to 200,000 lives in a month. In making recommendations to the Security Council, Mr Boutros Ghali said the UN troops would not be authorised to use force to stop the fighting, only to defend themselves. And under the best-case plan, the troops would not begin arriving for a month.

The UN withdrew all but a token force of about 400 peacekeepers from Rwanda last month when fighting made their mission – monitoring a cease-fire and peace accord – futile.

Mr Boutros Ghali said the new troops would put the airport at Kigali, Rwanda's capital and lifeline for supplies, under exclusive UN control and would concentrate on protecting civilians and guarding relief workers and their deliveries.

The UN chief warned the 15 Security Council members that time was of the essence. "The longer the delay in the deployment of the force," he wrote, "the greater the prospect of the mission not achieving its purpose."

The US is already on record as supporting such a force and might help airlift the troops, although none of its own. But it will likely take a while for the operation to get off the ground.

The United Nations is already running 17 other peacekeeping operations around the world, with more than 70,000 troops. It has unending problems persuading member states to contribute properly trained and equipped troops.

One element that might help in the case of Rwanda is the support of Mr Nelson Mandela, South Africa's new president. Mr Mandela declared his support on Tuesday for a UN peacekeeping operation for Rwanda.

Connell jailed for five years

Mr Laurie Connell, former head of Rothwells, the Perth, West Australia-based merchant bank which went under shortly after the 1987 stock-market collapse, was yesterday sentenced to five years' jail for conspiring to pervert the course of justice, Nikki Tait reports from Sydney.

On Monday, a jury acquitted the businessman of conspiring to fix the 1983 Bunbury Cup, but found him guilty of perverting the course of justice by paying Mr Danny Hobby, a former jockey, about A$500,000 (£240,000) to stay out of Australia and the reach of investigating police. Mr Connell has said he will appeal.

Banda may still outwit a united opposition

Malawi's Congress party could extend its 30-year rule in elections on Tuesday, writes Nick Young

A recent electoral pact has consolidated the United Democratic Front's position as opposition front-runner in Malawi's elections next Tuesday in a campaign dominated by personalities rather than issues.

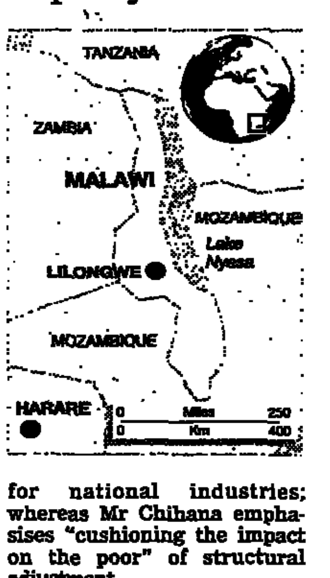
Although it is not the analysts' favourite, President Hastings Banda's Malawi Congress party may yet extend its 30-year rule into the new, democratic era by exploiting remaining opposition divisions.

Small parties, none of which has a distinctive political identity, have withdrawn their presidential candidates in favour of the UDF's Mr Bakili Muluzi.

Withdrawals have also been agreed in most constituencies where the small parties were fielding candidates for the 177-seat parliament.

The UDF is expected to win most of the 76 seats in the populous southern region. The central region, traditional heartland of the MCP, has 68 seats. In the north, there are only 33 seats, and these are likely to be swept up by the Alliance for Democracy (Aford), led by trade unionist Chakufwa Chihana.

Campaigning has come up with little to persuade people to vote on other than regional or ethnic lines. Mr Muluzi accepts that the three contenders are "very close" on social and economic policy. He emphasises "managed" liberalisation, with some protection



for national industries; whereas Mr Chihana emphasises "cushioning the impact on the poor" of structural adjustment.

But both men favour export-led growth within a liberalised economy, which is precisely the policy direction the MCP is already following, under pressure from foreign donors.

Debate has therefore centred on qualifications for government. Mr Chihana, who was thrice imprisoned by Dr Banda's government and who is closely identified with the early campaign for democracy, describes the election as "a contest between morality and the forces of darkness".

His close aide and author of the Aford manifesto, Mr Mapopa Chipeta, reflects that "Banda used to boast at rallies that he had killed his opponents. And people cheered, they thought it was normal. They laughed at us when we said you can't do that. But now Malawi has changed."

Malawi rivals: Chakufwa Chihana of Aford (left) and the UDF's Bakili Muluzi Nicholas Young

Pinning its hopes on a moral crusade, Aford has launched a vitriolic attack on the character of Mr Muluzi. As an MCP government minister and secretary general of the party in the 1970s, he is easy to denounce as a "recycled" politician, although he responds that he tried to work for change within the system, enduring considerable personal risk as a result.

More damagingly, Aford has claimed that Mr Muluzi was convicted of petty theft in 1968, and subsequently embezzled money from the MCP while in their employ. Mr Muluzi has not denied the allegations, made in an Aford newspaper which quoted court records and MCP memorandums. Although campaigning vigorously on the hustings, he has become shy of the local press and declined challenges to radio debates with other candidates. There have also been ill-concealed attempts by other members of the UDF executive to unseat him.

Aford's blow of moral superiority has been considerably undermined by suggestions that, as a Moslem, Mr Muluzi would "Islamicise" Malawi. His status as a strictly secular politician is not in doubt.

Aford strategists believe that the anti-Muluzi campaign may win Mr Chihana the presidency even if the UDF wins most parliamentary seats. But doubts about Mr Muluzi are likely to favour the ruling party more than Aford.

Last June's referendum produced a 37 per cent pro-government vote: not enough to keep the one-party state in place, but a solid support base on which to build. Some believe that the vote then was influenced by MCP intimidation, and that support has since crumbled.

Infused with new blood recruited from the opposition, the MCP has been arguing that those responsible for past abuses have left – mostly to join the UDF, whose leadership is dominated by MCP "refugees".

The argument does not address the popular belief that power has long lain with the de facto prime minister John Tembo, uncle of President Banda's consort "Mama" Cecilia Kadzamira. Nor are the party's prospects improved by the fact that Dr Banda is too elderly and frail to make more than rare and brief public appearances.

But he has appeared often enough to endorse his running mate, Gwanda Chakuamba, who served 13 years in jail for sedition, as apparent successor. Dr Banda is not hated in Malawi. Most people blame his abuses on "bad advice".

IMF mission in Angola

An IMF team has arrived in Angola and plans to meet President Jose Eduardo dos Santos later in the week about the war-shattered economy, state media said yesterday, Reuter reports from Luanda.

Angola, its economy devastated by nearly 20 years of civil war and inefficient socialist experiments, wants IMF help to renegotiate some $10bn (£6.8bn) of foreign debt.

Khmer Rouge releases hostages

Ms Melissa Himes, an American aid worker, and two Cambodian colleagues, held hostage for 42 days by Khmer Rouge guerrillas were released unharmed yesterday, aid officials said, Reuter reports from Phnom Penh.

"They are now free – that is the news we got this afternoon," said an official from the relief agency, Food for the Hungry International. Ms Himes, 24, an FHI development worker, was reported missing on March 31 after she went to retrieve a vehicle in southern Kampot province.

MI6 bugged embassy in UK, says Iran

The British intelligence service has bugged Iran's embassy in London, Iranian President Akbar Hashemi Rafsanjani said yesterday, Reuter reports from Nicosia.

Mr Rafsanjani, quoted by Iran's official news agency IRNA, said Iranian embassy staff had discovered "the hidden microphones installed by the British MI6".

The agency said in a brief report that Mr Rafsanjani made the charge in a speech in Tehran. "The British government has launched propaganda moves in order to overshadow the issues," it quoted him as saying.

Last month Britain accused Iran of holding secret contacts with the Irish Republican Army, fighting to oust Britain from northern Ireland. Tehran denied the charge.

Ties between the two countries are also strained by Iran's call for the death of British novelist Salman Rushdie whose book The Satanic Verses is condemned as blasphemous by many Moslems.

US sees new force needed for Haiti

By George Graham in Washington and Canute James in Kingston

The White House yesterday denied reports that it had already decided to remove the military junta in Haiti by force, if tougher sanctions agreed last week by the United Nations do not work.

But US officials said some kind of UN security force, including a significant US component, would be needed, even if the sanctions succeed in forcing out General Raoul Cedras and his colleagues.

President Bill Clinton has been careful in recent statements not to rule out the use of US military force to remove the junta that ousted President Jean-Bertrand Aristide in 1991. However, US officials are anxious to give sanctions some time to work.

"There has been no decision to send in a small force to purge the military," said Ms Madeleine Albright, US ambassador to the UN.

The sanctions are to go into effect if Gen Cedras and his colleagues have not left Haiti by May 21. US officials declined to say how long they planned to wait to see whether the sanctions work.

Under the Governor's Island agreement reached in New York last year, the US, with other countries, was to provide military trainers and civil engineers to help a return to civilian rule in Haiti. The ship carrying those trainers turned away when a small mob organised by the military prevented it from docking.

Officials insist a new force would have a similar role to that envisaged in the accord but the trainers are likely to be more heavily armed.

Haitian legislators have named Supreme Court Justice Emile Joanaissaint as interim president. This is likely to be seen as further defiance of UN efforts to restore Father Aristide to power.

Joaquín Balaguer, aged 87, is seeking a seventh term as the Dominican Republic's president Reuter

Dominican president faces close contest

By Canute James in Kingston

President Joaquin Balaguer of the Dominican Republic is facing a surprisingly stiff challenge in his attempt to win election on Monday to a seventh term at the head of the Caribbean nation.

The latest opinion polls show the president, who leads the conservative Reformist Social Christian party, second to Mr José Francisco Peña Gómez of the social democratic Dominican Revolutionary party.

The polls put Mr Peña Gómez at 37 per cent of the vote, Mr Balaguer at 34 per cent and Mr Juan Bosch, the president's usual main political rival, at 14 per cent. Other support is split among smaller parties.

Mr Balaguer's supporters, however, argue that the polls do not indicate the likely outcome on Monday. They say the president has always benefited by late surges in support and that undecided voters – the polls say about 9 per cent – will back the incumbent.

A win for Mr Peña Gómez, 57, would be a departure in Dominican politics.

The many battles between Mr Balaguer and Mr Bosch, have dominated the political scene for decades, but they are now aged 87 and 84 respectively and this is expected to be the last election for both.

Mr Peña Gómez has been helped by having as running-mate Mr Fernando Alvarez Bogaert, once a senior functionary in Mr Balaguer's party.

The social democratic party's officials say that they have their doubts about the lead shown by the polls – earlier soundings had given Mr Peña Gómez an even wider margin.

In previous elections, Mr Balaguer has always managed "to come from behind at the last moment, helped by fickle voters and the vagaries of the Dominican election machinery," said one official.

Losing candidates in the Dominican Republic have frequently contested the integrity of the electoral system. After the last election, Mr Bosch, who lost by a few thousand votes, claimed that the presidency had been stolen away.

These concerns, and the deaths of more than 30 people in campaign incidents, have created a tense atmosphere.

In an effort to ease this, church leaders brought the presidential candidates together on Tuesday night to sign a compact committing them to a peaceful election and to respect for the results. These are expected for the end of next week.

The social democratic party has also complained that its opponents have introduced "verbal racism" into the campaign. Questions about the competence in the presidency of Mr Peña Gómez, whose only public office has been the mayoralty of the capital Santo Domingo, have frequently been accompanied by reference to the fact that he is black, party officials said.

Dominicans remain concerned that a close victory by any candidate could lead to disputes and to political violence. They have been stocking up with food, fuel and other essentials.

The winner, who is to be inaugurated in August, will face an immediate and difficult task in righting an economy which has gone off course. Mr Peña Gómez is offering no dramatic changes for the economy based on tourism, agriculture, and gold and nickel mining.

Venezuela gets a dual forex market

By Joseph Mann in Caracas and Stephen Fidler in London

A dual market in foreign exchange has emerged in Venezuela for the first time in five years following new rules introduced this month that have rationed central bank sales of dollars.

The gap between the value of the bolivar on Venezuela's official market, where the central bank sells dollars to banks and exchange houses and that on the parallel foreign exchange markets has widened to 15 per cent over the last week.

This widening spread is worrying the government. Mr Julio Sosa, minister of finance, said the government was "concerned" over the exchange differential and the central bank should "take some type of action." When he made his remarks on Tuesday banks were selling dollars obtained from the central bank auction at 131.5 bolivars, while rates on the still legal parallel market ranged to 148 bolivars or more.

On May 4, the central bank replaced open sales of dollars under a crawling peg-type system, in effect since 1989, with daily auctions, which have met only part of Venezuela's dollar demand. A parallel market in dollar trading developed almost immediately, especially for corporate buyers.

US Court appointment close

By Jurek Martin in Washington

President Bill Clinton's search for a new Supreme Court justice to succeed the retiring Harry Blackmun, on which an announcement is imminent, appears to have narrowed to a shortlist of three.

All white male law graduates of Harvard University, they comprise, in uncertain order of preference, Mr Bruce Babbitt, the secretary of the interior, and two sitting federal judges, Richard Arnold from Arkansas and Stephen Breyer from Massachusetts. Also said to be not out of the final running are Judges José Cabranes from Connecticut and Amalya Kearse from New York.

The late entrant into the short list is Judge Breyer, 55, the federal appeals court judge based in Boston, who got as far as an interview with the president last summer before he settled on Mrs Ruth Bader Ginsburg for the Court. His re-emergence as a candidate reflects both his high reputation as a consensus-building jurist and some problems with picking either Judge Arnold or Mr Babbitt.

Mr Arnold, 58 and chief judge on the federal appeals court based in Little Rock, is known for the distinguished quality of his written legal opinions, which have generally remained sufficiently in the broad mainstrean to have impressed Democrats and Republicans alike. He is a former law clerk to retired Justice William Brennan, the liberal jurist still influential behind the scenes of the Court, and an old acquaintance of Mr Clinton.

But doubts have been raised about his health (he suffers from lymphoma and takes periodic radiation treatment) and his state of origin. Mr Clinton could be accused of cronyism for choosing him and may be reluctant to subject Arkansas, already under the Whitewater miscroscope, to further minute examination. Some women's groups have questioned his commitment to preserving the right to abortion.

Mr Babbitt, 55 and a former governor of Arizona, is the sort of "real world politician" Mr Clinton has often said he would like to see on the Court, much in the manner of the late chief justice Earl Warren, who served from 1953-69. Mr Babbitt, like Judge Breyer, was considered last year and had appeared to take his name out of consideration when Justice Blackmun retired.

But it is his politics which have attracted opposition, noteably from Senator Orrin Hatch from Utah, ranking Republican on the judiciary committee. He charged Mr Babbitt would be liable to influence by the "far left" and predicted Western senators, long unhappy with his environmental policies at the interior department, would oppose him. But two of these, Democrats Harry Reid from Nevada and Ben Nighthorse Campbell from Colorado, promised to back Mr Babbitt.

SALEROOM

Poor show in NY

By Antony Thorncroft

Christie's offered the finest group of Impressionist and modern paintings seen on the market for four years at its New York auction room on Tuesday evening, but the results were disappointing. Only half the 76 lots found buyers.

The auction totalled \$50.7m with the best prices paid for a group of seven paintings acquired over 30 years ago by a European collector and fresh on the market. They were expected to make \$15m between them and actually sold for \$17.87m.

A rare Fauve landscape of 1906 by Maurice de Vlaminck was the star lot: it sold for \$6.8m, double its estimate, while Picasso's Cubist 1913 masterpiece "Violon, bouteille et verre" was at the top of its estimate at \$6.27m.

In contrast paintings from the collection of the retailing magnate Mr Meshulam Riklis, whose McCrory Corporation has filed for bankruptcy law protection, found few bidders, apart from one lot, an imaginative 1932 Picasso portrait of his young mistress Marie-Thérèse Walter which sold for \$4.6m.

Mr Michael Findlay, Christie's specialist in the field, was at a loss to explain the poor result. "Interest suddenly ebbed on Monday afternoon," he said.

Hata seeks restart of US trade talks

By Guy de Jonquieres and Nancy Dunne in Washington

Mr Tsutomu Hata, Japan's newly appointed prime minister, has told President Bill Clinton that the Tokyo government wants to resume the interrupted negotiations with the US on a framework agreement for their bilateral trade relationship.

Mr Mickey Kantor, US trade representative, said in an interview that Mr Hata had given his assurances when Mr Clinton telephoned on Monday to congratulate him on taking office.

"Mr Hata said we should seek ways to re-engage, and the president agreed," Mr Kantor said.

This came amid growing optimism in the Clinton administration that Japan is ready to re-start the talks, which broke down in February when Mr Morohiro Hosokawa, then the Japanese prime minister, met the US president in Washington.

A senior administration official said he believed there was now "a real possibility" of resuming preparatory talks with Japan before the meeting of Group of Seven government leaders at Naples in July.

US officials believe Mr Clinton and Mr Hata will discuss some of the issues in Naples but they doubt substantive negotiations will be possible until after the summit.

Mr Kantor emphasised that the US was being "sensitive and careful" in its dealings with Japan and had already succeeded in opening Japanese markets to a variety of foreign products.

However, he said, "we will enforce our trade laws" if no agreement is reached by September 30, the date by which the US must, under recently revived Super 301 trade legislation, designate for possible sanctions the biggest barriers to US exports around the world.

Mr Kantor conceded that, while the US would seek resolution of more disputes multilaterally after the Uruguay Round trade agreement comes into effect next year, "a number" was not covered by the Gatt.

In these areas, the US remained free to apply unilateral trade sanctions.

He cited as an example cases where countries' failure to enforce national competition laws allowed anti-competitive practices to pose a barrier to foreign imports.

Senior US officials partly attribute their renewed optimism about an agreement with Tokyo to Mr Hata's pragmatic attitude and to their belief that Japan is no longer opposing US demands as a matter of principle.

Japan has given approval to US apple farmers' pest control measures which had for long prevented US apple exports, the centre of a long trade dispute between the two countries, reports Emiko Terazono from Tokyo.

Japanese agricultural officials said they hoped an agreement on procedural matters with the US would be reached by the end of this month and the first US apple imports would start in September.

The decision follows recent criticism from the US government over Japan's unfair trade practices.

Japan officially liberalised its apple market in 1971, but kept foreign apples out through strict quarantine rules about pests and diseases.

Peter Sutherland is urging Beijing to pursue trade liberalisation and open its markets Picture: Reuter

US quartet wins Seoul phone stake

By John Burton in Seoul

Four US companies were selected yesterday to take a total shareholding of 22.2 per cent in a consortium that will operate South Korea's second mobile telephone network.

This deal is the latest example of South Korea demanding technology transfers in return for allowing foreign companies market access.

The US companies were chosen because of their willingness to transfer hardware and operating software for the code-division multiple access (CDMA) system, which is competing against the European Groupe Spéciale Mobile (GSM) standard for advanced digital telecommunications.

The four US partners are Pactel (with a 10 per cent stake), Southwestern Bell (7 per cent), GTE (4 per cent), and Qualcomm (1.2 per cent).

Pohang Iron and Steel and the Kolon textile group are the biggest shareholders in the Sinsegi mobile telecom network, which also includes Korea's leading telecommunications equipment manufacturers among the 221 domestic companies in the consortium.

South Korea is one of first countries to embrace CDMA technology. Korean companies hope to sell CDMA equipment to other markets, including the US.

The Sinsegi network is to go into operation by the end of 1995 and will compete against Korean Mobile Telecom (KMT), which began in 1988.

The number of cellular telephone subscribers in Korea has grown by almost 90 per cent a year since 1988 and reached 500,000 this year.

Israel deal given to Bell team

By Julian Ozanne in Jerusalem

An investment consortium led by Bell South of the US yesterday won Israel's public tender to provide nationwide cellular phone services.

It was in competition with Motorola-Bezek, the Israel state-owned telephone company.

The communications ministry said the Bell South Consortium – which includes the Safra family of bankers, Discount Investments of Israel, and Israel Aircraft Industries – had won the tender because it had submitted the lowest price customers will pay for services.

Israel expects the consortium to invest \$85m (£57m) to \$130m (£87m) in the expanding cellular phone market and start operating within 15 months.

Gatt chief warns over China's status with US

By Tony Walker in Beijing

US failure to extend China's preferential trade access to the US market would complicate negotiations over Beijing's bid to rejoin the General Agreement on Tariffs and Trade, Mr Peter Sutherland, the Gatt director general, said yesterday.

He said that, although the issues of Gatt and Most Favoured Nation trading status were not "directly related", the US posture on MFN would be critical to a successful outcome of the negotiations.

Mr Sutherland, in Beijing for an international business seminar, told reporters: "The US attitude is of central importance and that attitude will be signalled in one way or the other by events on the MFN issue."

Since his arrival in Beijing on Tuesday, the Gatt chief has urged a speedy conclusion of China's negotiations to resume Gatt status and prepare itself to be a founder member of the World Trade Organisation when that is formed next year.

But the director general also made clear that contracting parties to the WTO would insist that China continue to pursue trade liberalisation and other steps required to facilitate access to its huge domestic market.

He said that among particular concerns were the lack of transparency in China's trade rules, haphazard application of the trade regime, an absence of certainty in the treatment of imports (including the imposition of hidden quotas), and the anti-competitive activities of the Chinese monopolistic state trading corporations.

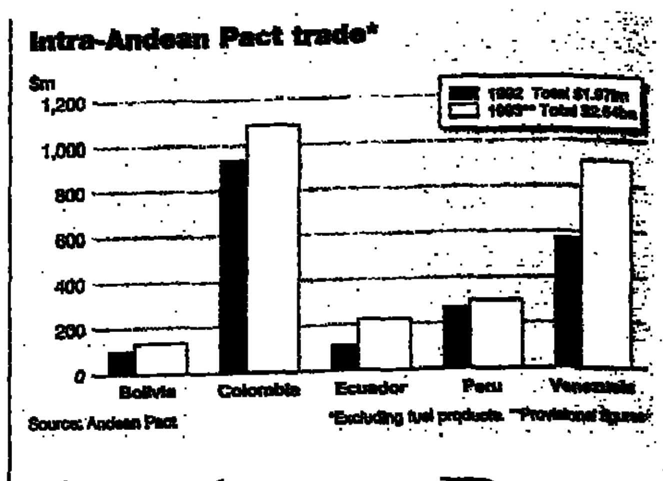
"I believe that China would be well advised to take these concerns seriously," he said.

US President Bill Clinton is due, by early next month, to rule on whether to extend MFN to China for another year. He has indicated in the past week that he favours an extension.

US and European negotiators are preparing for bilateral discussions with the Chinese on Gatt issues, in preparation for a meeting of the China "working party" on Gatt, due for in Geneva late next month.

Gatt negotiations can be expected to accelerate after MFN renewal.

Mr Sutherland has indicated that he hopes China may be in a position to sign a draft protocol within the next few months.



Andean Pact still split on outside tariff

FT writers on a growing market's oldest problem

Trade is growing rapidly among the five countries of the Andean Pact but its member governments remain divided over an issue that has dogged them since the trade grouping was founded 25 years ago – a common external tariff.

Preliminary estimates from the group – comprising Bolivia, Colombia, Ecuador, Peru and Venezuela with a combined gross domestic product of more than \$130bn – show a 30 per cent jump in trade among its members in 1993 after an increase of 20 per cent in 1992. Intra-regional trade, including fuel products, reached a record \$2.89bn last year, against only \$1bn as recently as 1989.

The grouping has been particularly important for a growing band of small and medium-sized companies selling non-traditional products. Colombian businesses view the Andean region as a good testing ground for more difficult markets and see the enlarged market as important in encouraging foreign investment and cross-border joint ventures.

Colombia is the chief exporter to other countries within the group, responsible for 41 per cent of all intra-regional exports last year. With imports to Colombia from Ecuador and Venezuela also rising rapidly, infrastructure on these two borders is already under strain.

Special border posts created by the pact provide frontier services for transporting goods but there are still many difficulties caused by differences in national legislation. Air services between all Andean countries have improved substantially, with several regional carriers now flying between the main cities.

More good news for the pact came last month with the decision by the Peruvian government of President Alberto Fujimori, which temporarily withdrew in August 1992, to return as a fully-fledged member by the end of the year.

Its withdrawal had been prompted by what it called unfair competition. Ministers criticised the subsidies they claimed Venezuela and Colombia were granting to exporters and said Peruvian companies were put at a disadvantage by higher energy costs and public service tariffs.

Although it is not clear that these issues have been resolved, Peru has said it will gradually rejoin the free trade zone, applying from this month a zero tariff to products previously paying 5 per cent and by December to products now paying 10 per cent.

The central relationship within the pact is that between Venezuela and Colombia: trade between the two rose 45 per cent in 1993 and Colombia's President César Gaviria said last week that bilateral trade would reach an annual \$2bn very soon.

The two are also talking to Mexico over the establishment of the so-called Group of Three, which would join Colombia and Venezuela in a trade accord with Mexico. Ecuador has already said it would like to join once it gets off the ground.

Final negotiations over the G3 have proved slower than expected, in part because the three-month-old Venezuelan government of President Rafael Caldera has had other priorities. When Mr Caldera met Mr Gaviria last week – the latter's eighth visit to Caracas – the two leaders re-confirmed their commitment to a G3 agreement.

Venezuelan officials say Mr Caldera recognises the importance of free trade with Colombia and has indicated he will not let problems – such as border disputes, transhipment of cocaine and Colombian guerrilla action along the border – hurt trade relations.

Trade between members jumped 30% in 1993

Despite the perception that relations with Venezuela are more important, Mr Gaviria's administration has also kept up pressure for the Andean common external tariff to come into effect as soon as possible. The common tariff was supposed to have been effective at the start of 1992, but a decision has been postponed several times and it is far from clear an accord can be reached soon.

The talks centre on a a four-tier external tariff of between 5 and 20 per cent, which some external observers regard as excessively complicated.

Bolivia already has a two-tier tariff structure with a maximum of 10 per cent, and is likely to keep it despite the potential for Bolivia to be used as a platform for entry to the free trade zone.

Ecuador has been insisting on important exceptions to the common external tariff which others find unacceptable. The Peruvian government wants it set at a flat 15 per cent – the rate it now levies on 98 per cent of imports. Most of Peru's manufacturers and exporters would prefer a staggered regime – but the Fujimori government is committed to a flat rate, which the International Monetary Fund and World Bank also favour.

Some observers reckon that the longer the decision on the external tariff is delayed, the less likely it will be that an agreement will be secured.

While growing fast, trade among Andean countries is still a relatively small proportion – about 5 per cent – of the region's overall trade. Meanwhile, other groupings – such as the G3 and Mercosur, the southern cone market which Bolivia wants to join – are also growing in significance and exerting a centrifugal force on the pact's members.

Reporting by Sarita Kendall in Bogotá, Sally Bowen in Lima, Joseph Mann in Caracas and Stephen Fidler in London

Malaysia shortlists airport contractors

By Kieran Cooke in Kuala Lumpur

Ten consortia of contractors made up of local and foreign groups have been shortlisted to carry out work on a new international airport outside Kuala Lumpur.

The consortia include groups from France, Germany, Japan, South Korea and the US, but none from Britain.

In late February the Malaysian government imposed a ban on giving government contracts to British groups after reports critical of the Malaysian leadership appeared in the British press.

Kuala Lumpur's new airport, which is priced at between M\$9bn and M\$12bn (£2.35bn – £3.1bn) is one of southeast Asia's biggest infrastructure projects.

The 10 consortia are competing for a M\$3bn contract for work on the airport's main terminal building.

The airport is due to be open by the end of 1997 but there are doubts it can be completed by then.

NEWS: UK

Virani jailed over dealings with BCCI

By John Mason, Law Courts Correspondent

Mr Nazmudin Virani, the former property entrepreneur convicted of fraud over his business dealings with the Bank of Credit and Commerce International, was jailed for two and a half years at the Old Bailey yesterday.

Passing sentence, Mr Justice Hutchison said the gravity of the offences Mr Virani had been found guilty of demanded an immediate prison sentence.

However, the judge said the mitigating circumstances in Mr Virani's case, such as his charity work and impressive character references, meant he was reducing the sentence from the level he had initially considered.

These character references included one from Mr Paddy Ashdown, leader of the centrist Liberal Democrat party, commending Mr Virani's work on behalf of the Asian community.

Mr Virani was convicted earlier this month of six counts of furnishing false information to Price Waterhouse, the BCCI auditors, and one of false accounting.

By signing bogus audit confirmation reports which pretended companies in the Virani group owed money to BCCI, Mr Virani was able to artificially boost BCCI's profits by some £11m.

Mr Justice Hutchison said that in the context of the massive fraud perpetrated by BCCI and its senior management, the offences committed by Mr Virani were relatively modest.

However, their gravity was demonstrated by the fact that he had deceived Price Waterhouse into thinking the bank's financial health was far greater than it was.

Other people had contributed to the fraud on a much grander scale, the judge said at the Old Bailey.

However, the judge told Mr Virani: "I cannot exclude the possibility that yours was the brick in the wall that kept the edifice standing longer than it would have done otherwise."

Mr Justice Hutchison did not disqualify Mr Virani from being a company director in future. The judge dismissed a claim by the businessman's lawyers that prison would "break" him.

"I believe that on your release you will resume an honest and useful life in the business community," he told Mr Virani.

The judge also made no order for Mr Virani to pay part of the £2.2m costs incurred by the Serious Fraud Office in bringing the prosecution.

The court heard that although Mr Virani had two Swiss bank accounts containing £3.6m, these had both been frozen and his debts to the BCCI liquidators totalled almost £7m.

The court heard that his £800,000 house in Putney, South London, had been transferred into his wife's name in 1992.

Mr Virani's lawyers said afterwards they intended to appeal against both his conviction and sentence.

BCCI creditors still playing a waiting game

Andrew Jack on the latest state of play in the legal tangle

"The annual question is when and how much the creditors will be paid," said Mr Christopher Morris, a liquidator of the collapsed Bank of Credit and Commerce International, yesterday. "The answer is still shrouded in uncertainty."

Nearly three years after BCCI was closed by regulators in July 1991, those who lost money will still need a good deal more patience before seeing much sign of redress.

While some fresh information was provided yesterday by Touche Ross, BCCI's liquidators, in the annual filing with the Department of Trade and Industry, many gaps remain.

While some creditors have received partial interim payments through compensation schemes, there is no sign of any quick disbursement from BCCI's diminishing assets.

The liquidators have never revised their original estimate that creditors may ultimately receive 30p-40p in the pound. Mr Morris said yesterday there was "no reason to change it".

The total value of claims against BCCI remains unclear. So far there are creditors demanding nearly $3.2bn against the English assets alone. Many may not identify themselves until the prospect of a dividend looms.

Other claims may come from legal actions against the bank, including $2.2bn allegedly stolen from the government of Abu Dhabi, the majority shareholder, by BCCI unless the liquidators successfully conclude an agreement with it.

The final figure will also depend on how many of the separate national BCCI liquidations around the world decide to "pool" their assets with the English liquidation. This will in turn depend on the level of any revised dividend.

A number of models have been developed by the liquidators to juggle these elements. One such calculation suggests possible total claims in the range of $9bn to $9.5bn.

Total estimated realisations from BCCI's stated assets in the UK, Isle of Man and Luxembourg are $1.2bn. More will come from interest, less a large proportion spent on professional fees and running costs.

If other parts of BCCI – notably BCCI Overseas – join the pooling agreement, their assets will also swell the pot available for distribution by several hundred million dollars. A further $750m-$1bn may come from assets and the share in out-of-court settlements negotiated with the US authorities by BCCI and other related parties.

The government of Abu Dhabi earlier this year provisionally agreed to a revised deal in which it would pay $1.8bn to creditors in exchange for a waiver of litigation against it by the liquidators.

Mr Morris said yesterday that it may take another two months before the detailed legal agreement is completed. It must then be submitted to the BCCI creditors' committees for approval, and then ratified in the English, Luxembourg and Cayman Islands courts.

In total, these sources might provide a total of assets available relatively soon for distribution to creditors of a maximum of something over $4bn.

Any further realisations will come from litigation – which could take many years. Touche Ross has sued Price Waterhouse and Ernst & Whinney, now part of Ernst & Young, as auditors to the bank for $11bn. It has sued the Bank of England for more than £550m.

Writs have also been issued against the National Commercial Bank of Saudi Arabia and Sheikh Khalid bin Mahfouz, its former chief operating officer; the IML, the Luxembourg banking regulator; BCCI's directors; and the Gokal brothers, controllers of the Gulf shipping group which proved one of BCCI's largest debtors. Mr Morris said yesterday that further legal actions were also likely.

All this means that on the most optimistic view creditors are unlikely to receive a dividend until well into next year. This could total 15p-20p in the pound.

Douglas Hurd, foreign secretary, told Scottish Tories to argue their case over Europe

Tories urged to fight back

By James Buxton, Scottish Correspondent

Scottish Conservatives, cowed by their disastrous performance in last week's regional elections in which they finished in fourth place with less than 14 per cent of the vote, were urged yesterday to fight back and "stop taking opposition insults and smears on the chin like gentlemen."

The call for a more aggressive approach was issued on the opening day of the party's conference in Inverness by Mr Adrian Shinwell, its Scottish president.

Though Mr Douglas Hurd, the foreign secretary, referred to the regional elections as a "sideshow" in comparison with the European elections, it was a line which several delegates rejected in private. The issues which had made the party so unpopular last week would surface again in the European elections, they said.

For her the most damaging thing the government had done was to levy VAT on domestic fuel. "I don't think people in the south realise what that means in Scotland. We still have radiators on in May and put the central heating back on in September."

A senior Tory was dismayed at the way the party had for nearly two years permitted the opposition to set the agenda on the intensely sensitive issue of water. Labour, the Scottish National party and the Liberal Democrats had planted with the public the idea that the Tories intended to privatise Scotland's water, and when the government belatedly rejected that policy it had not done so forcefully enough.

Despite Mr Hurd's encouragement, the European elections will be very difficult for the Tories. They hold no Scottish Euroseats and have realistic hopes of winning only one. As many noted, the elections are likely to be presented by the opposition as a referendum on the government.

Mr Hurd's proposition that the party can campaign effectively on European issues is undermined by its divisions on the issue, which afflict more than just the cabinet.

Britain in brief

British technology 'lacks plan'

Britain still lacks a long-term agenda to develop UK technology and industry and the Treasury is taking too complacent a view of recovery, according to a report on competitiveness from the Engineering Employers Federation.

The report, published just prior to the government's white paper on competitiveness due out on Monday, says that the trade deficit and the consumption/investment imbalance will not be solved merely by a cyclical economic recovery.

"Even in the short to medium term, there is an urgent need for strategic decisions. Although UK manufacturing is highly competitive, the manufacturing base is too small," says Mr Graham MacKenzie, EEF director general.

Record numbers stay at school

Only seven per cent of 16-year-olds went into full-time employment last year, the lowest figure ever, a careers service report reveals. Instead, the survey of school leavers' destinations by the heads of career services showed that a record 68 per cent chose to stay on full-time in school or college. Further education is increasingly chosen ahead of training schemes.

Matter for speculation

Work has begun on the first large speculative office projects to be built in the City of London since the recession. London and Manchester Group, a life company, is building a 214,000 sq ft building at Finsbury Pavement, which will include 125,000 sq ft of offices and a 96,000 sq ft department store for Marks & Spencer.

The site, which was originally bought by London and Manchester in 1987 was sold to Land and Property Trust, a company now in liquidation, for £75m in 1989. London and Manchester repurchased the site for £17.5m in 1992.

Sunday racing gets go-ahead

Bookmakers expressed delight at the decision to allow Sunday betting on horse racing in England and Wales but warned that the industry faced strong competition from rival attractions such as do-it-yourself stores and garden centres.

The House of Commons approved Sunday betting by a majority of 101 on Tuesday night. Evening betting, which began last year, has provided a substantial boost to bookmakers, who hope Sunday racing will do the same.

William Hill, the second biggest bookmaking chain, said, however, the horse racing industry would have to ensure that it introduced new enthusiasts to the sport rather than simply moving weekday customers to Sundays. William Hill said it was not yet clear whether there would be a net increase in race meetings or whether existing fixtures would be moved to Sundays.

CrossRail faces long delays

Government ministers and business leaders began an urgent search for a means of reviving the £2bn CrossRail project for a cross-London rail link following its surprise rejection by a Commons committee on Tuesday.

The government is studying three possible options for overturning the four-man private Bill committees controversial decision: relaunching the proposal as a hybrid bill; promoting it through the new and untried Transport and Works Act; or sending it back to the private bill committee. Whichever method is chosen the project, first launched in 1989, is expected to suffer considerable extra delays.

No early end to BT ban on entertainment

By Andrew Adonis

The British government yesterday flatly ruled out an early lifting of the controversial ban on British Telecommunications carrying entertainment over its network.

Mr Patrick McLoughlin, communications minister, told the House of Common trade and industry committee: "any premature review of that policy would have a devastating impact on the investment of the cable companies."

Cable companies – mostly US-owned – are building combined cable TV and telephone networks in urban areas. They have gained nearly 400,000 customers, and are planning to invest £6bn over the next five years.

The first flotation of a cable company – Telewest – is about to take place on the London stock exchange, and analysts believe the ban on BT carrying entertainment until at least 1998 is important to sustaining investor confidence.

BT claims the ban is likely to delay its investment in "superhighway" broadband technology – notably the laying of fibre in local networks, without which advanced interactive services will be restricted to large companies.

However, the government emphasised yesterday that the encouragement of competition in telecommunications was its chief priority. "The development of competing [telecoms] infrastructures is the government's policy," said Mr McLoughlin.

Pressed by MPs, Mr McLoughlin said the government would "seriously consider" the case for targets to be set obliging companies building fibre local networks to wire-up public sector institutions such as schools and hospitals.

The Clinton administration is backing such targets in the US, where vice-president Al Gore has been pioneering a national debate on the virtues of a national "information superhighway."

Last week Mr Don Cruickshank, the telecommunications regulator, urged a "national debate" on the application of new telecoms technology to the public sector.

Mr McLoughlin also affirmed the government's commitment to a universal telecoms service, amid fears that the cable companies' concentration on urban Britain will leave rural areas without advanced services.

BT said it regretted the government's stance. "We firmly believe that the UK needs a seamless broadband network, and BT is uniquely placed to provide it."

Figures highlight an uneven recovery

By Gillian Tett and Peter Norman

British manufacturing output dropped slightly in March after two months of strong growth, surprising economists who had expected a rise in production, and highlighting the uneven nature of the UK recovery.

But in spite of this monthly dip, official figures for the first three months of 1994 showed that British business recorded its largest rise in manufacturing output for five years, indicating that economic recovery continues.

Output in March was 0.5 per cent lower than February, seasonally adjusted figures from the Central Statistical Office showed yesterday.

This compares with rises of 0.4 per cent in February and nearly 1.5 per cent in January, and was markedly lower than market expectations, which had foreseen a monthly gain of around 0.3 per cent for March.

The main reason for the fall was the failure of the food, drink, tobacco and engineering sectors to sustain the production surges they had recorded in the first two months of the year.

But monthly production figures are volatile, and officials insisted that the quarterly figures provide a better guide to the trend.

These showed that manufacturing output rose by 1.4 per cent during the first three months compared with the final quarter of last year – the fastest growth since March 1989 during the economic boom.

Last night, Mr Eddie George, the governor of the Bank of England, suggested that Britain's economic recovery was becoming "more robust and broadly-based" than the consumption-led growth that had characterised the past two years.

"There are now hopeful signs that, as tax increases act to moderate the growth of consumer spending, the company sector – which has enjoyed rising profitability and an increasing financial surplus – will now increase its investment spending," he said.

He told the annual dinner of British factors and discounters that Britain's trade should also "begin to benefit from the emerging recovery on the continent", he added.

Mr George's upbeat analysis was yesterday echoed in two new business studies, which showed that companies across the country are reporting increased business activity.

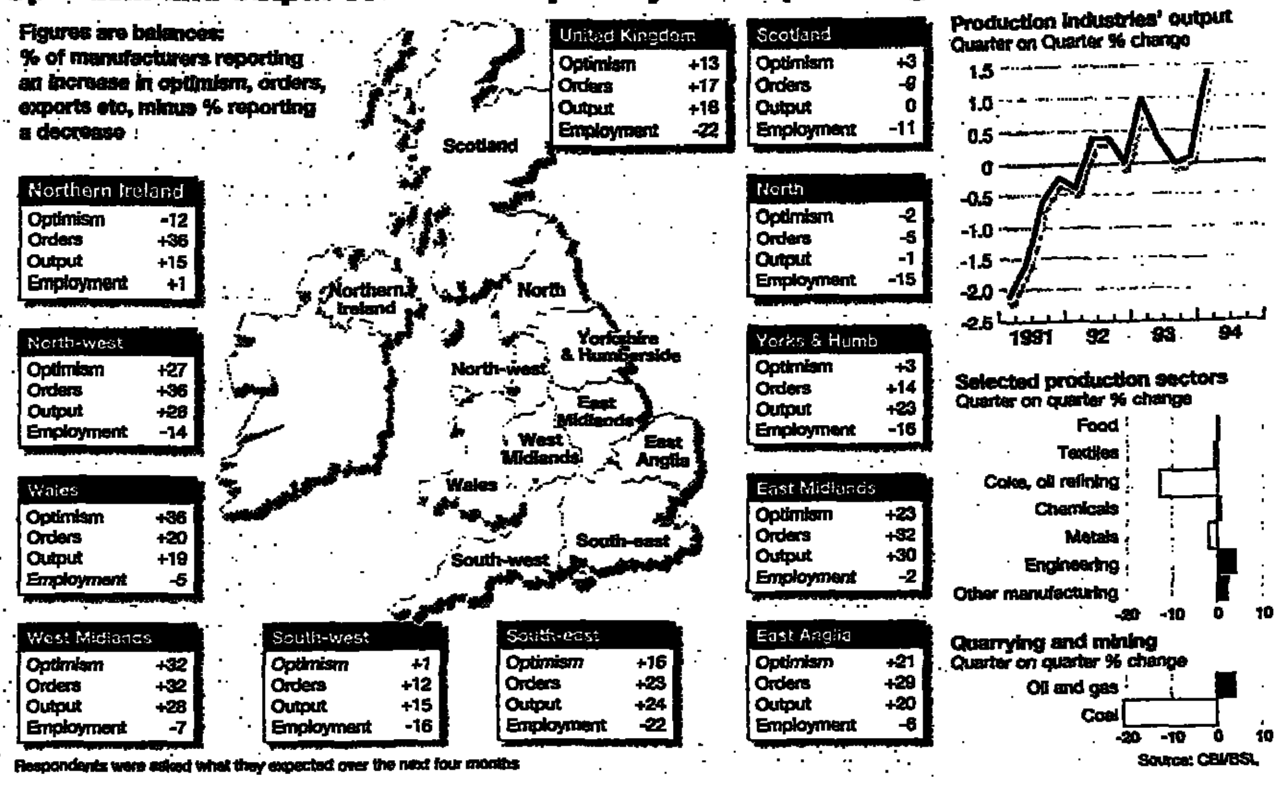
The latest regional survey from the Confederation of British Industry and Business Strategies, a consultancy, said businesses in all UK regions have booked increased orders over the last four months – again for the first time since 1989.

An opinion survey by the Institute of Directors shows that the 70 per cent of directors during March and April reported increased volumes of business, up from 61 per cent during the previous two months.

But as a sign of the uneven pace of recovery, directors have become less optimistic about the prospects for the UK economy, mainly because of concern about UK political instability. Nearly a quarter of directors blamed this for their falling confidence – while only 9 per cent cited April's taxes.

Mr George acknowledged that the economy did not feel particularly buoyant.

"But we have to avoid the excesses of the late 1980s, which felt wonderfully good in the short-term but which were the root cause of the misery that followed," he said.



Two naval dockyards advertised for sale

By Bernard Gray

The Ministry of Defence is today advertising the Devonport and Rosyth naval dockyards for sale in the national press.

Initially the MoD is inviting companies to register an interest in buying the two yards before May 27. A trade sale direct to private sector companies is expected to be completed by 1996. The form of the announcement differs from most MoD contracts.

However, a spokesman for the ministry said that it was keen to gain interest from as wide a group of potential purchasers as possible. It was intended that the sale should be more like a conventional privatisation than most other ministry tenders.

Detailed negotiations are likely over the assets likely to be included in the package, as well as the liabilities which any acquiring company would have to take on.

Currently the two yards are run under management contracts, Rosyth by Babcock Thorn, and Devonport by DML Management, but most redundancy costs from cutbacks are met by the Ministry of Defence. Issues such as who would be responsible for any future redundancy costs will be central to the negotiations.

As well as the incumbent management teams several other companies are thought to be interested. British Aerospace, GEC, and VSEL are all potential bidders.

Devonport recently won the contract to refit all of Britain's nuclear submarines after a two-year battle with Rosyth. In the subsequent arguments over Rosyth's future, Mr Malcolm Rifkind, the secretary of state for defence, awarded Rosyth a large package of surface ship work.

While both yards now have work for the rest of the decade, analysts question whether the reduction in the size of the Royal Navy will leave sufficient work for both yards in the long term.

Thatcher invited to give evidence to MPs' Pergau probe

By James Blitz

Baroness Thatcher, who as Britain's prime minister approved a controversial donation of aid to Malaysia for the Pergau dam project, has been invited to appear before a leading Commons committee and be cross-examined on the affair.

Members of the all-party Foreign Affairs Committee yesterday sent an invitation to the former prime minister, asking her to appear before them in public and explain the link between the UK's offer of £234m of aid to the Malaysian government and a £1bn arms deal.

Lady Thatcher's appearance would be the first by a former prime minister before a Commons select committee. It would mark the highlight of the FAC investigation, in which three former members of her cabinet have been interrogated.

Parliamentary rules state that, as a member of the House of Lords, Baroness Thatcher is not obliged to accept the invitation. But Mr Denis Canavan, the Labour MP for Falkirk West who is on the FAC, said yesterday that it would "look bad" if she turned it down.

"Baroness Thatcher has played a leading part in the whole affair," he said, "and it would reflect badly on her if she refused to attend."

Some Tory MPs on the FAC argued strongly yesterday that an invitation should not have been sent, because it was unclear whether the former prime minister had been aware of the link between the arms and aid deals when they were made in 1988. Such a linkage would break Whitehall guidelines on aid provision.

In his evidence to the committee, Lord Howe, the former Foreign Secretary, said that the decision to link the two had been taken entirely by Lord Younger, the then Defence Secretary. Lord Howe also suggested that the attempts to de-link the two deals later that year had been mainly led by himself.

Labour MPs said there was strong documentary evidence that Lady Thatcher had played an important role in attempts to hide the connection between the aid and arms deals.

In June 1988, she wrote to Mahathir Mohammed, the Malaysian prime minister, confirming that the offer of aid would go ahead but hoping that the defence contract could be signed later that year.

Members of the committee also want to know why lady Thatcher gave a green light to the offer of aid for the dam earlier in the year, even though Foreign Office officials had been given only two days to carry out a project assessment.

Members of Lady Thatcher's staff confirmed last night that the invitation had been received, but could give no indication of whether she would be likely to attend.

MANAGEMENT: MARKETING AND ADVERTISING

Diane Summers on the Czech company's use of the Volkswagen connection to reposition its Favorit brand

Skoda's sales drive is no joke

Why does a Skoda have a heated rear windscreen? So you can keep your hands warm while you're pushing it. The Skoda has all the charm of the typical eastern European product in the British mind – a dubious car of comical design, renowned only for its joke status.

The complete repositioning of the brand, which Skoda is currently bravely attempting, must amount to one of the most daunting marketing challenges of recent years.

The impetus for Skoda to attempt the seemingly impossible comes as a result of Volkswagen taking control of the Czech company three years ago and, in the UK, the establishment last year of Skoda Automobile UK, a new wholly-owned subsidiary to import the cars.

The old Estelle model – the traditional Skoda of the joke – was superseded by the Favorit in 1989, and, over the past three years, Volkswagen has been further improving the specification and quality control of the Favorit range (priced between £5,600 and £7,700). Skoda proudly quotes a recent BBC television programme which gave the Favorit a test drive and found it "completely free of rattles and squeaks".

Skoda has never had more than 1 per cent of the UK car market – now the objective under the new Volkswagen management is to increase that share to 2 per cent by the end of the decade.

Robin Woolcock, managing director of Skoda Automobile UK, had no illusions about the magnitude of the job: "It was clear to me very early on that this was a major marketing task. It wasn't about distribution strategy or retailing capacity – it was about changing the perception of a company that had come to epitomise eastern Europe."

In the UK, the brand is a victim partly of its own success: the jokes exist because Skoda has a considerable presence in the market. Elsewhere in western Europe, the jokes would be meaningless and have therefore not taken root, says Woolcock.

A tight marketing budget meant that objectives had to be clearly defined and focused. With no marketing department, Woolcock's first stop was a market research consultancy called Quadrangle, which carried out qualitative studies among three groups: current Skoda owners; "susceptibles" who might be persuaded to buy a Skoda; and "rejecters" who would be unlikely to purchase.

Simon Lidington, a Quadrangle partner, discovered there was nothing odd about Skoda owners. "They were just normal people who were characterised by being honest, straightforward and disliking hype. They had a very clear-sighted view of the kind of purchases they wanted to make, wanting to pay no more than they needed."

Skoda owners loved their Skodas and had even come to love the jokes, says Lidington. The only problem was that there weren't enough owners, which is why the next group, the "susceptibles", became so important.

Susceptibles were "attitudinally similar to Skoda owners", found Lidington. "They had been put off by the jokes and by their lack of awareness of the Favorit. If conditions were right, and they felt other people weren't going to laugh at them, they'd jump at the chance of owning a Skoda."

Working alongside Lidington was the advertising agency GGK, whose job it became to develop a strategy for awakening the interest of the susceptibles. Steve Green, a GGK director, discovered it was not enough merely to point out the merits of the Favorit to potential purchasers.

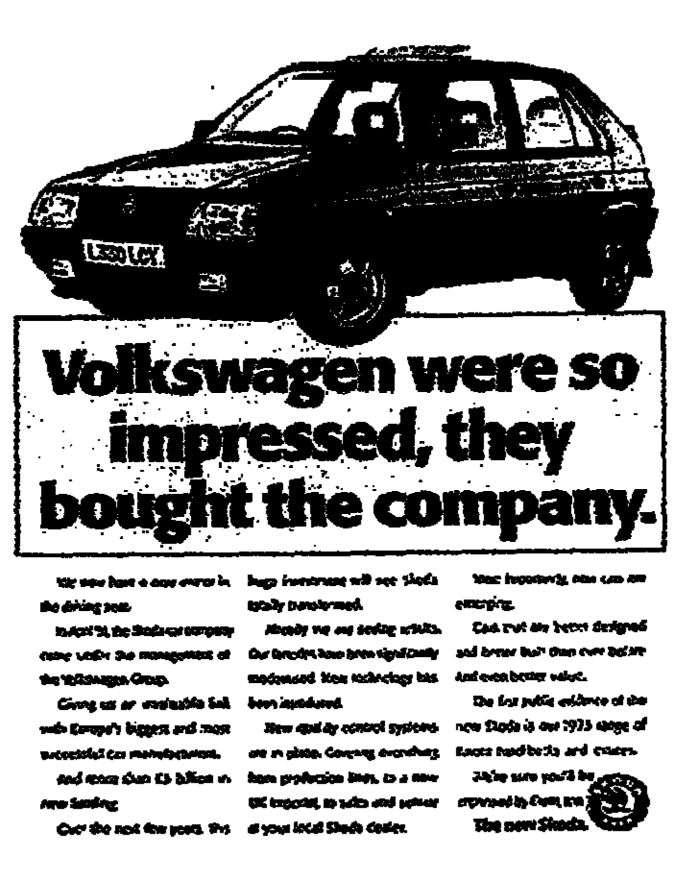
"There was such a huge dissonance between what people – even susceptibles – have in their head about what Skoda is and means, and what we were presenting to them," he says.

The most important lever has turned out to be the fact that Volkswagen – with its strong reputation for quality – now controls the company, says Green. "The Volkswagen connection lit lights, hit the spot. People immediately latched on to it. It allowed susceptibles a route into the brand," he says.

Press, poster and television advertising – currently showing – has all led on the VW link. After an outlay of £6m on press and poster advertisements last year, and £4.5m for the current TV campaign, Woolcock believes the benefits are beginning to materialise: after the first week of TV adverts, dealers are reporting a 50 per cent rise in sales, he says.

The final ingredient in the campaign has been public relations. PR company Shandwick has the task of monitoring press coverage and listening out for the jokes. Journalists, comedians, disc jockeys and other careless Skoda joke artists are likely in future to find themselves threatened with a test drive.

Says Shandwick: "We don't intend to overreact but if anyone does make an ill-informed comment about Skoda, we will be offering them an opportunity to reconsider their views. We're also trying to educate the public that we're not a soft touch any more – we're not going to lie back and take comments that affect the brand value."



Press, poster and television advertising has all stressed the Volkswagen link

'Asian Delight' tempts Thai palates

Victor Mallet on how Lever Brothers has benefited from the growth of ice cream consumption


Hot sell: Thailand's climate makes it an accessible market for ice cream

Unlike some of Bangkok's raunchier roadside advertisements, the enormous billboards depicting a woman's red lips invitingly parted have nothing to do with the sex industry; they are selling Wall's ice cream.

Japanese corporations dominate south-east Asian markets for cars and consumer electronics, but western companies such as the Anglo-Dutch Unilever – owner of the Wall's brand – are influential players in Asia when it comes to branded foods and household goods.

Lever Brothers (Thailand), wholly-owned by Unilever, has been operating in the country for more than 60 years and says it is dominant in six of the nine markets in which it competes, including ice cream and hair care products (dominance is defined as having a market share at least 50 per cent bigger than your nearest rival).

Thai demand for branded shampoos is well-established – Kao of Japan is credited with opening the market more than 20 years ago and Lever took a dominant position by the end of the 1980s – but the growth of ice cream consumption is a phenomenon of the 1990s. Although Thailand's economy has been expanding steadily for 40 years, only recently has the disposable income of most Thais been able to stretch to ice cream.

"Until 1990 the market was very basic and primitive," says Viroj Phutrakul, chairman of Lever Brothers (Thailand). "Availability was not good and visibility was awful." The main ice cream company in Thailand was Foremost, originally introduced to cater for American servicemen during the Vietnam war.

Then in the 1990s, Viroj says, "the market absolutely exploded". Consumption rose from 20m litres a year to the current 55m, which is worth about $100m (£68.40m) at ex-factory prices. In the long term, the market could increase fivefold from the present level.

Lever entered the fray four years ago by making 5m litres a year and found that its factory was producing at full capacity within a year. Now the company can produce 35m litres and is increasing capacity to 50m by July. In 1992, Lever bought Foremost, and recently shut down the Foremost factory.

Lever now claims a dominant 67 per cent share of the Thai ice cream market, and says it is especially strong in the profitable "impulse buying" sector. Ice cream helped raise Lever's overall Thai turnover last year by 25 per cent to about $440m – pre-tax profit was about $40m – and sales this year are expected to rise another 18 per cent.

Viroj, 59, who graduated in economics from Sheffield University and worked his way up the Unilever ranks, says Thailand is a particularly good market for a multinational company because it has a large, young and culturally homogeneous population: most of the country's 58m people are ethnic Thai Buddhists who share similar tastes in food.

Multinationals, however, still need to adapt their international strategies to local tastes. Just as Kentucky Fried Chicken franchisees offer extra-spicy meals to suit the Thai palate, so Lever adjusts the ingredients and the brands of Wall's ice cream for Asian markets. Ice cream in Thailand has a lower fat content than the formulation used in colder climates, and Lever has introduced an "Asian Delight" Wall's brand in red bean or taro (a type of sweet potato) flavours.

There are some difficulties in distributing ice cream in Thailand, including the high proportion of people living in far-flung parts of the countryside and Bangkok's notorious traffic jams: the take-home market is limited by the fact that ice cream often melts in the car before shoppers can reach their houses.

But the hot climate and the increasing wealth of Thai consumers makes Thailand a tempting and accessible market. No less than 95 per cent of Bangkok households have television, and 60 per cent of Lever's overall sales in the capital now go through modern supermarkets and stores rather than the small shops more common in the provinces. Lever has doubled its budget for research into Thai consumers in the last three years.

An entrepreneurial economy also means that companies can conceive and launch brands in 18 months or two years, compared with as much as five years in Europe, says Viroj.

So much so, indeed, that Lever is unlikely to be allowed to maintain its ice cream dominance: Nestlé is rumoured to be attempting to buy one of the smaller Thai ice cream manufacturers.

PEOPLE

Wathen resurfaces at NatWest

Chris Wathen, who left Midland Bank last month after his job as managing director of branch banking was eliminated in a reshuffle has reappeared at National Westminster Bank as general manager in charge of human resources.

The appointment is against the trend; clearing banks have been recruiting outsiders from different industries, and NatWest was sifting through non-bankers for its vacant post when Wathen unexpectedly appeared on the job market. Derek Wanless, NatWest's chief executive, says it is "not common to find someone available with this breadth of experience at a senior level". He says NatWest approached Wathen when it heard that he had left Midland.

Wathen will join the executive group at NatWest's group head office which comprises Wanless, senior group executives such as John Melbourn, the deputy chief executive, and the heads of the bank's operating divisions such as branch banking.

Wanless says that NatWest was not merely putting Wathen into his new post in the short-term. "He will be able to contribute as a member of the team, but he is coming to do a particular job for the foreseeable future."

Wathen, 48, has experience of human resources, having been group personnel director of Midland before becoming managing director of branch banking. Before that, he was in charge of handling its relationship with Hongkong Bank.

The job of handling NatWest human resources became vacant in February when Stuart Chandler, the general manager who was responsible for human resources and strategic development, became deputy chief executive for branch banking.

Finance moves

■ Stuart Clenaghan is leaving Lehman Brothers to join SWISS BANK CORPORATION as director and head of its commercial paper and medium-term note operations, where he will be responsible for the origination of CP and MTN products.

■ Richard Horlick, a director of Newton Investment Management, has been appointed md, UK and European Institutional business.

■ Richard Peirson has been appointed director of FRAMLINGTON INVESTMENT MANAGEMENT; he moves from Kleinwort Benson.

■ Ian Smith has been appointed md of CAPITA CORPORATE FINANCE; he moves from Mercury Asset Management.

■ Ann Scurfield, formerly an assistant solicitor with Berwin Leighton, has been appointed a director of BANKERS TRUSTEE COMPANY.

■ Claire Lambert has been appointed a director of WISE SPEKE.

■ David Flanigan has been appointed chairman of FORD Credit Europe; he is replaced as md of Ford Credit in Britain by Rich Van Leeuwen, formerly md of Ford Credit Australia.

■ Nicholas Lyons, formerly vice-president for mergers and acquisitions for the UK, Ireland and Scandinavia for J.P. Morgan, has been appointed a director of SALOMON BROTHERS' financial institutions group.

■ Michael Clinch, formerly UK custody director of Barclays Global Securities Services, has been appointed md of BARCLAYS Registrars.

■ Graham Hooper has been promoted to investment director of CHASE de VERE INVESTMENTS.

■ Graham Taylor, formerly chief financial officer of AMERICAN EXPRESS Travel Related Services' UK operation, has been appointed to the same position for Latin America.

■ Jeremy Parrish has been appointed head of European corporate banking at STANDARD CHARTERED; he moves from Australia and New Zealand Banking Group.

■ Don Westacott has been appointed deputy chairman, Martin Greenwood, formerly finance director, becomes md and David Stewart promoted to finance director, of DBS MANAGEMENT.

■ Michael Cooper has been promoted to head of lending operations at YORKSHIRE BANK on the retirement of Andrew Stapleton.

■ Toby Wyles has been promoted to the board of APAX PARTNERS.

■ Tom Morrison has been promoted to chief registrar of The ROYAL BANK OF SCOTLAND on the retirement of Ian Blackie.

■ Paul Blake, a director of Chartered Trust, has been appointed md of STANDARD CHARTERED's subsidiary, ACL.

Salaried Leith

"I find to my surprise that I like being an employee," says Prue Leith, the restaurateur and cookery writer who once took it upon herself to uncurl the British Rail sandwich.

Last summer she sold her empire, with an annual turnover of £17m, to Eurest International, part of the French Accor group and the biggest contract caterer in Europe.

This week her husband Rayne Kruger conducted his last board meeting as chairman of Leith's, retiring at the age of 72. He has been her business partner and chairman for 30 years. Kruger, 15 years older than his wife, will be retreating to his study to pursue his passionate interest in ancient Chinese history.

Leith will be combining the role of managing director and chairman from next month. She claims that since selling the business, which she started from an Earls Court bedsit in 1962, she has been devoting more time to it. She is looking forward to Eurest's plans to expand the company by moving further into the tough contract catering market, where it will be competing with Compass and Gardner Merchant.

However, closer involvement with Leith's over the past year has not precluded her other activities – she is on the boards of Argyll Group and Leeds Permanent Building Society, is chairman of the Restaurateurs' Association of Great Britain and a Fellow of the Royal Society of Arts.

Constructive careers

■ Stanley Honeyman has been appointed chairman of STANHOPE, following the death of Lord Sharp of Grimsdyke last week.

Honeyman, 70, a chartered surveyor, joined the board of Stanhope in 1989. His involvement followed Olympia & York's acquisition of a 33 per cent stake in the company in 1988; he had been closely involved with Olympia & York, both as a consultant on Canary Wharf and a director of a number of O&Y's subsidiaries.

His career has included a number of directorships of large property companies; in 1970, he joined the board of the English Property Corporation, becoming chief executive in 1978, a year before the company was bought by Olympia & York.

When EPC was sold to MEPC in 1985, he joined MEPC's board for a year. Between 1975 and 1985, he was a director of Trizec Corporation of Canada and was also a director of W.H. Smith until 1992.

■ BT has appointed Alan White as director, group property.

White takes charge of one of the UK's largest property portfolios, which is undergoing a period of heavy rationalisation to meet the changing requirements of BT. Technological change and the decline of BT's traditional activities is forcing BT to dispose of substantial amounts of its 75m sq ft of operational space, which currently consists of more than 92,000 UK and 500 overseas properties.

White was formerly head of group property operations at BT, which he joined in 1991 from TSB, where he was director of premises.

Before that, he was group estates manager of Grand Metropolitan between 1987 and 1990, having worked as group estates manager of Dee Corporation and of Booker.

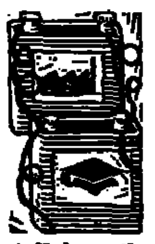
■ David Holland, chief executive WIMPEY Homes Europe, is also appointed chief executive Wimpey Homes North America.

■ Christopher Binnie, chairman of W.S. ATKINS' water and environment division, and Tim Foley, legal adviser, have been appointed to the main board.

TECHNOLOGY

Kerin Hope reports on Greece's efforts to build on its scientific successes by forging closer links with industry, in a continuing research series

Olive-grove innovators



The Research Centre of Crete keeps a low profile on an island best known for its beaches and ancient ruins. Concealed among olive groves outside Heraklion, the capital, it is staffed mostly by Greek scientists who returned from jobs abroad with a brief to focus on applied as much as basic research.

However, Eleftherios Economou, who heads the centre, acknowledges that building links with industry is a struggle in Greece, "where company practice of taking the short-term view and importing technology in a black box is only just starting to change".

Greece spends only 0.4 per cent of gross domestic product on research, the lowest percentage in the European Union. The government provides about half the funds allocated, with less than one-tenth coming from the private sector.

Dimitris Daskalopoulos, chairman of Delta Dairies, Greece's biggest food processor, summed up the prevailing attitude: "The perception is that researchers aren't really worth much because they work too slowly and aren't truly product-oriented. It's only among companies that want to be competitive on a European scale that you find more awareness."

Delta's own R&D department has become a key part of the company's operations, Daskalopoulos says, since it decided to build a Dr16bn ($64m) yoghurt plant near Athens, with the aim of developing high-quality products for distribution in the rest of the EU. "It's no longer enough just to pay royalties for know-how."

The centre in Heraklion houses four out of the seven institutes belonging to the Foundation for Research and Technology Hellas. Forth was set up in the mid-1980s with government funds to improve Greece's research capability and develop collaborative projects with industry.

It was deliberately hived off from Greek universities and other government-backed research institutes which were reputed to disdain projects with commercial applications, in order to foster a new, more practical, scientific culture in Greece.

Ross Bray

The institutes on Crete have attracted top researchers but isolation is a handicap

The institutes on Crete have attracted high-calibre researchers and a sizeable percentage of non-government funding, including increasing amounts of EU money – about Dr2bn this year. But their relative isolation is a handicap.

Growth in tourism and agriculture has overshadowed industrial development in Crete in the past decade, while the difficulties of keeping in close touch with Athens and Thessaloniki, the country's main manufacturing centres, proved a deterrent to forming partnerships with industry.

Given the shortage of potential collaborators, scientists at the centre decided to set up several locally-based companies to handle product development and sales. While some products won recognition for innovation, Economou says, the centre has been unable to penetrate markets effectively – "you can't necessarily guarantee that you'll have both scientific and entrepreneurial talent simultaneously".

The centre's institute for molecular biology, which has come up with several biomedical products, has transferred responsibility for marketing and exports to a commercial partner, whose expertise and contacts in Greece and abroad should speed up product development in the future.

The experience suggests that research with medical applications may hold the greatest potential for Greece, Economou says. "It's one area where we have the resources to leapfrog existing weaknesses in R&D, and it's a fast-growing market that doesn't need heavy investment."

Biomedical companies based in Greece can tap the skills of a relatively large number of scientists trained abroad, while salaries for research staff are still less than half those in the rest of the EU.

The molecular biology institute has set up a joint venture with an Athens-based company that distributes diagnostic products in Greece and abroad. Nida Biometria makes and sells veterinary diagnostic kits, including pregnancy tests for cows and pigs, as well as kits for screening viruses in potatoes, carnations and young fruit trees.

Pavlos Leakos, managing director of Biometria, the parent company, says: "The animal pregnancy tests are practical for this region as they're designed to be carried out by small labs with minimal equipment. The plant virus tests are timesavers as one kit can test hundreds of samples in less than an hour."

The institute is also developing links with another Athens-based company, Diagnostic Genetic Centre, which offers testing services for genetic disorders such as Mediterranean anaemia or cystic fibrosis; until recently, these were not available in Greece to local physicians.

Costas Pangalos, the medical geneticist who set up DGC, says the aim is for the researchers on Crete to develop a set of probes – small sections of DNA serving as markers to detect mutations that cannot be directly determined – that can help identify genetic disorders. "It should be the right interchange, with us supplying laboratory testing facilities and the capacity to make their products commercial."

However, the centre has not given up efforts to forge links with companies on Crete. It has set up a technology park outside Heraklion, due to start operating later this year. Six companies, both Crete- and Athens-based, are already committed to participating.

Plastika Kritis, a Heraklion-based company that makes plastic sheeting for greenhouses and polyethylene pipes for drip irrigation systems, was among the first to join the technology park. The company says it spent 2 per cent of turnover amounting to Dr5.6bn last year on R&D.

Manolis Lembidakis, managing director, says: "To develop high value-added products in our sector, you can't depend on other people's technology."

Next week: South Korea.

Abbey gears up for D-Day

Alison Smith looks at the UK bank's new computer system

Next Monday, Philip Hallatt, director of shareholder services at Abbey National, will know whether the project on which he has spent most of the past two years can be counted a success.

May 16 is D-day for Abbey – the day when its 2.6m shareholders must receive their dividends. It will give the greatest test yet to the newly-installed computer system set up when Abbey decided to carry out its own registration services in-house. When Abbey converted from being a building society to a bank in July 1989, it bought in registration services from Lloyds Bank, the market leader in registration.

But, Hallatt says, Abbey always intended to consider moving registration in-house – conscious that, having begun with 5.5m shareholders, there was a clear prospect of economies of scale not available to all plcs.

At first the plans were based on the implementation of Taurus – the London stock exchange's paperless trading system. But when Taurus was scrapped, Abbey knew it would have to look at a system which could cope with a continuing dependence on paper, at least for a while, and chose Computer Management Group, as its adviser in devising a custom-built system.

The fact that 95 per cent of Abbey's shareholders are among its 12m customers increased the need to get the system right – because there was more to lose than the mainly small individual shareholdings if they were dissatisfied. "We had to look at standardising the service provided," Hallatt says.

But that same fact also enhanced the benefits of developing a system which could cross-reference shareholders in their capacity as customers. In time, Abbey is looking to be able to achieve full cross-referencing – facilitating, for example, direct payment of a dividend into a savings account, or share dealing from accounts.

One of the most important features of the system is that it is based on relational database theory and techniques. This means that the software can obtain information from the system in a very complex way. As Hallatt describes it, the system should be able to provide information in a way that it was not expected to be able to access when it was set up. "It's a way of being able to meet unspecified future requirements," he says.

But the greatest technological development, as Abbey sees it, is in the system's use of document image processing. Abbey is by no means the first organisation to use document imaging – essentially a means of storing paper on screen – but it is the first to use the technology to do more than allow the system to act as a "cupboard".

"No other organisation in Europe is using DI technology in this way," says Hallatt. "In the UK we only see people using DI in storage and retrieval mode, not in interacting." One relatively straightforward example of how this interacting works can be seen in the handling of change of

The system has proved much quicker than previous methods of processing

address forms.

A shareholder fills in a form at a branch: when this document is fed into the system, the system itself will check that the shareholder's unique number has been filled in and that the form has been signed.

If the form is not properly completed, the system will automatically reject it and send it back to the individual with a standard letter – bearing an electronic signature – explaining what is missing or wrong.

If, when the computer checks the form it sees that it is correctly filled out, it will route the screen image to one of the work areas. A screen operator will not see the whole image of the document – he or she will see only the new address to be typed into the database.

The system has proved much quicker than previous methods of processing such routine information. Although the processing office, in Sheffield, has been open only since the end of February, it is already turning round inquiries more quickly than Lloyds did.

The Sheffield office employs, at present, some 125 staff, while at different times Lloyds had had between 150 and 250 people dealing with Abbey's work. After a 2½ week backlog at Lloyds, Hallatt says, the new system has brought matters "almost entirely up to date" in most areas.

It does, however, raise some issues for management.

One is the creation of an environment in which staff are confident in relying entirely on the system. The destruction of the paper forms after a month or so is less striking in this regard than the fact that an individual operator will see only part of the form he or she is processing, and will have to trust that the system has done its part properly. The system will not satisfy the instinctive inclination just to cast a quick glance over the rest of the form.

The other issue is how to use constructively the welter of management information that the system will provide. Hallatt is very conscious of the effect on staff morale of finding after a long day's work that the number of transactions waiting to be dealt with has actually increased.

The system's ability to provide information down to the level of the individual operator about how long documents take to be processed may also be a mixed blessing. It is an advantage if it is seen as a way of reducing backlogs by shifting the flow of work to teams of operators who are less busy, but it could have an adverse effect on morale if it is seen as a threat by management hanging over an operator.

The project should pay for itself within two to three years: although the set-up costs ran into millions, they still amounted to around one year's fees paid to Lloyds.

And there could be a further payback. Hallatt says that over the past 18 months, Abbey has been discussing its system with some other large PLCs. "At the moment, our priority is to ensure that the changeover and aftermath goes smoothly," he says. "We believe that by the beginning of next year, we will be in a position to take on other registers on a commercial basis."

FOUR WEDDINGS AND A FUNERAL (15)
Mike Newell

GERMINAL (15)
Claude Berri

THE PUPPET MASTER (15)
Hou Hsiao-Hsien

MY NEW GUN (15)
Stacy Cochrane

A DANGEROUS WOMAN (15)
Stephen Gyllenhaal

M. BUTTERFLY (15)
David Cronenberg

Taking over the 'silly ass' franchise: Hugh Grant and Andie MacDowell in 'Four Weddings and a Funeral'

Cinema/Nigel Andrews

Charmed by a scatterbrain hero

In America *Four Weddings And A Funeral*, a British comedy about love and death, is the "Have you seen?" film of the season. Standing Woody Allen-like in cinema queues, all I heard during my recent visit – forget the latest $100m Hollywood action films – was "Such a delight!," "Best British film in years!", "It did make me laugh," "Shall we take Aunt Millie?" and "Isn't Hugh Grant wonderful!"

Let us have a memory check. Mr Grant was the young deb's delight in *Maurice* and the spineless lover in *A Handful Of Dust*: performances that seemed to mark him out for a short forgettable career, except perhaps as a matinee idol version of Griff Rhys Jones. Then he was funnier and more interesting in Polanski's *Bitter Moon*. Now with *Four Weddings* he begins to look the drollest, most appealingly scatterbrained hero in Western cinema.

Charles (Grant) is the eternal best man. Always late for weddings, he is inclined to lose the ring, but will solicit last-minute substitutes from his chunky-jewelled Hampstead friends in the church run by the Rev Rowan Atkinson. Our hero also has an infectious smile, a laugh that sounds like steam escaping and the blissful assurance of a man who will "never marry". Then he falls in love with visiting beauty Andie McDowell, the movie's American box office insurance.

That is it plotwise. But the script by *Blackadder's* Richard Curtis and direction by Mike (*Dance With A Stranger*) Newell give this comical-romantic froth such an eager whisk that it stands up and assaults the taste buds. The visuals are modest and the sound somewhat semi-detached, as if glued on in a hurry in the dubbing room. But technical deficiencies bother us surprisingly little and probably helped to charm an America bored with hi-tech, low-content hell-raisers.

That and the movie's ability to mix drops of darker emotion into the mirth. When Grant's pal Simon Callow dies of Aids, Callow's gay lover delivers a funeral speech at once blithely disrespectful – "His recipe for duck à la banana fortunately goes with him to the grave" – and powerfully moving. A lot of giggling people around me at the AMC cinema, Century City, were also clutching surreptitious Kleenexes.

The supporting cast – James Fleet, John Hannah, Charlotte Coleman – is almost frighteningly assured, as if fresh from a crash course of watching Noel Coward plays. But it is Grant's show. He seems to be taking over the "silly ass" franchise and making it vibrant and human: he is a Hugh Laurie or Richard Briers (*Good Life* vintage) with large-screen charisma. Even his language – many an F-word in scene one, many a "Bugger!" in the last scene when he Samson-wrestles with a church pew to steady his own pre-wedding nerves – seem part of this tousled ego exploding with banked-up Britishness.

France's *Germinal* and Taiwan's *The Puppetmaster* are two contrasting ways to present the sweep of history. I felt swept up by neither. The first is Claude Berri's film of Emile Zola's mining saga, pouring mud, coal-dust and music over us for 2¾ hours. The second film is so minimalist that the truth-based tale of an ageing puppeteer, his family and his perspective on Pacific history seems like education by audiovisual drip-feed.

The best thing about *Germinal* is Gérard Depardieu. It is now impossible to imagine a French film, and probably impossible to finance one, without the presence of this human whale soaring and spouting all over the script. Watch Depardieu take a miner's bath and you have a Portable Theatre version of *Moby Dick*. Watch him stomp through the streets with his striking army of workers crying "Bread!" and you see a sight at once absurd – *this* man needs bread? – and wonderful.

When Depardieu's character dies, so does the film. Everyone else is merely human. They recite the lines while the vast mining sets wait for the next crowd-stirring stunt by fire, water or Zola-esque sermon on humanity.

The Puppetmaster takes an admired technique, Hou Hsiao-Hsien's jewelled-tableau style as seen in *A Time To Love And A Time To Die* and *City Of Sadness*, and turns it into an instrument of torture. Almost every interior scene is shot through a doorway by a scarce-moving camera, as if by an eavesdropper paralysed by a blow-dart. Years of Sino-Japanese history are microdotted into vignettes of social or domestic miniaturism. And when the "puppeteer" himself makes a late personal appearance, adding a wacky, wizened face to his singsong voice-over, we recognise a favourite old actor of Mr Hou's. It is Li Tianlu, here playing master of ceremonies to his very own pre-movie life story, but not tempting one to rush out for the tie-in biography.

For light relief you may turn to Stacy Cochrane's *My New Gun*: a lithe black comedy about a young New Jersey housewife (Diane Lane) whose life is transformed when she is given a gun by her security-conscious yuppie husband (Stephen Collins). She does not want it, so what will she do with it? More to the point, what will the attractive, mad boy next door (James LeGros) do with it when he "borrows" it one fateful night?

"We live in a very sick world," the husband points out in a self-fulfilling prognosis. Soon there are two woundings, one near-fatal case of food poisoning, the discovery of a lost Country and Western singer in hiding (Tess Harper), an adulterous romance and a wedding modelled on one of those bloodbath nuptials once beloved of TV's *Dynasty*. The film is sly, wise, funny: a first feature that makes us vigilant for Cochrane's second.

A Dangerous Woman and *M. Butterfly* are earnest meditations on sex, passion and identity. If a smile crossed the faces of either of these films, they would crack like a mirror. In *Woman* Debra Winger gives an "Oscar, please" performance as a gauche, mentally troubled woman who falls in love with handyman Gabriel Byrne, despite the steely resentment of her 'aunt' and guardian Barbara Hershey.

Since Hershey's real age is 46 and Winger's 38 this takes some swallowing: but no more than other toxic hyperboles and whimsicalities in Stephen '*Waterland*' Gyllenhaal's direction or his wife Naomi Finer's script, based on a novel by Mary McGarry Norris.

During *M. Butterfly* I kept hearing the ghostly voice of Henry Higgins, re-scripted for the age of PC: "Why can't a man be more like a woman?" Jeremy Irons dons his distraught prune expression as the French diplomat who falls for a Peking Opera star without realising that 'she' is a man. But surely the rugger player shoulders and off-blue jawline of John Lone were hint enough? David (*Naked Lunch*) Cronenberg brings David Henry Hwang's truth-based play to the screen without allowing for the camera's greater power in microscopically sexing actors. A story impossible to resist on stage is impossible to believe on screen.

Theatre/Alastair Macaulay

Henry V

The Royal Shakespeare Company is giving itself a large transfusion of new blood this season. For its first new production in Stratford's big Royal Shakespeare Theatre, *Henry V*, the director (Matthew Warchus), designer (Neil Warmington) and lead actor (Iain Glen) are all new to the company; so are over half the cast.

Warchus, who staged last summer's odd and fresh West End *Much Ado*, gives us a *Henry V* less odd and just as fresh. The opening image is a study in scarlet: the medieval royal robes hanging above a field of poppies. The modern-dress Chorus (Tony Britton) wears a Remembrance-Sunday poppy in his coat, and Henry V (Iain Glen) puts on the royal red during his first scene. The connection of kingship and bloodshed is explicit, as is the contrast between time present and time past.

Visually, the Agincourt scenes have immense, multi-faceted eloquence. While the battle rages – on a ramp centre-stage, before an azure sky – hooded bystanders plant poppies on the margins of the stage; and disparate pieces of armour, like severed limbs, descend and hang eerily in the air. At the end of Act Five – before the spreading cornfields and mountains of France – the stage action freezes, just as Catherine signs the marriage contract; while, from the sides, the Chorus comes forward to draw the play to a close.

Iain Glen, as the young King, has star quality. He looks and sounds noble, intelligent, virile, sensitive, appealing, handsome. He arrives with strong Shakespearian credentials (having won awards for his Glasgow Macbeth and Bristol Hamlet; he played Edgar at the Royal Court and in the recent Gielgud/Branagh recording). He brings to Henry a very interesting nervous intensity, and he develops – maturing vocally from high, clear tenor to shadowed baritone – from cautious cool to tempered assurance.

However, he has as yet no stillness. Even when praying to God before the battle, he employs so restless a variety of inflection that his actual words hardly strike home. But Glen's potential is obviously vast. His sheer nobility is something rare on our stages, and the way it is combined with intensity, attack, variety, is rarer.

The contrast between Glen's Henry and Britton's Chorus – between warrior and mourner, action and recollection – is excellent. Spruce, silver-haired, his voice full-toned, he does rather too much. There are some uneconomical gestures with his walking-stick, and consciously "poetic" vocal effects. But he is both authoritative and detached.

Of the other players, two of the youngest made an especially sure impression – Daniel Evans as the Boy (Welsh); and Julia Crane as a bespectacled attendant at the French court. Elsewhere Warchus has not brought out all the characters' human complexity. But Linal Haft, though he sometimes reduces Fluellyn to a comic turn, is generally fine and funny. Monica Dolan, as Catherine of France, plays her charming scenes with an unusually keen energy.

In repertory at the Royal Shakespeare Theatre, Stratford-upon-Avon, until January

Portrait of Edith Wharton

What has caused the present boom in the work of Edith Wharton nearly 60 years after her death? Reissues of her novels followed by two films, *The Age of Innocence* and *Ethan Frome*, are crowned by Irene Worth's skilfully assembled *Portrait*.

Consisting simply of extracts spoken in front of a lectern against a black backcloth, this hour and a half of uninterrupted exposure to the mind of Wharton is completely absorbing. The years have left Irene Worth wholly undimmed; she remains a glowing presence, as if she had just stepped out of a full-length oil by Whistler. She throws herself into the personality of Wharton with a fine spontaneity.

Wharton was a captivating storyteller who revealed hidden sources of power in seemingly vulnerable women. Worth shows how Wharton's own life serves as a singular example of the feminine struggle in the 20th century. The opening anecdote is taken from her autobiography *A Backward Glance*, the show's chief source. Little Edith is walking along Fifth Avenue with her father. Worth describes how a kiss was planted on the little girl's cheek by her small boy cousin. She gently mimes the gesture of his lifting her veil to reach the target.

Each subsequent extract describes the lifting of a further veil or psychological barrier as we follow Wharton's progress from the moneyed world of her parents, marriage to the rich Teddy Wharton, professional authorship, chic life in Paris and London alongside the likes of Henry James, divorce and sexual awakening in the arms of the rascally American journalist Fullerton.

She recites with commensurate passion a fragment commemorating this unhappy affair then breaks the tension with the throwaway line – "But then I see everything from the woman's point of view". That is the basis for Wharton's current success.

Anthony Curtis

At the Cottesloe at 8 pm on May 12,13 and at 4 pm on May 18,19.

New boost for Arts Council

The director Trevor Nunn and architect Sir Richard Rogers are to take up key roles in the Arts Council under new chairman Lord Gowrie. The appointments, announced yesterday by the Heritage Secretary Peter Brooke, are seen as part of a move to restore the council's damaged reputation. Following abortive attempts to restructure London's orchestras last year, there were widespread calls for the abolition of the Arts Council.

Opera in London and Birmingham

Starry Carmen, withered Faust

The Royal Opera is hosting two of the so-called "three tenors" at present, writes John Allison. Alongside José Carreras in *Fedora*, Placido Domingo has arrived to sing Don José – his first performances of the role at Covent Garden since 1978 – in the last four *Carmens* of the season. Nuria Espert's 1991 production has seen countless changes of cast since it was revived in January, and Tuesday's line-up was a strong one.

Domingo was on fine form, conveying Don José's unbridled infatuation both vocally and in his acting. His tone remains virile, he can still muster pleasing pianissimos. Domingo has often been criticised for stepping into productions as a guest on little rehearsal, sometimes in parts unsuited to his voice, but he is a veteran Don José and knows this production well, having sung in it in Los Angeles and conducted it in Seville.

In Los Angeles he appeared opposite Denyce Graves, for whom the title role has become a calling card. Her Covent Garden debut in January, postponed for a few days due to illness, was not reported on this page, and Tuesday's performance explained her reputation as a sultry Carmen. She has smoky tone to match her glamorous looks, but as an actress relies too much on sensuality.

The Romanian soprano Angela Gheorghiu made an unscheduled appearance in her first Covent Garden Micaëla, replacing an indisposed Marie McLaughlin. Her vibrant singing underlined a portrayal of the character as tougher than usual. Gino Quilico, a preening Escamillo, completed a team of principals who make up as good a *Carmen* cast as one is likely to encounter.

All seemed galvanised by Jacques Delacôte in the pit. In contrast to the lumpen account presided over by Jeffrey Tate in January, the music now sounds fiery and exciting. Delacôte brings a light Gallic touch that makes even the clumsy production seem less oppressive. The Hispanicised *Hosé* has been corrected to *José*, suggesting that Covent Garden has at last recognised *Carmen* as a French opera.

While the Royal Opera was performing a traditional *Carmen*, writes Richard Fairman, the City of Birmingham Touring Opera was giving its own very different treatment to another French classic, Gounod's *Faust*. In the past these slimmed-down productions have been at the cutting edge of opera in England, but this time the sharpness of intellect has become dulled.

The outline plan remains the same. The opera is performed by a small team, suitable for touring. There is no chorus, which means losing a proportion of the score (including some favourite numbers). The orchestra is reduced to about 15 players and this time the arranger, Ian McQueen, has not merely re-orchestrated Gounod, but also added ideas of his own.

He replaces the original prelude with a more disturbing introduction, to which he alludes at crucial turning-points later in the opera. Horn trills shudder ominously as Faust drinks his potion, while at the end wrenching discords disrupt the comfort of Gounod's saccharine ending. It is arguable what benefit this brings, but McQueen's re-writing is the most striking feature in an otherwise tired evening.

The production team (Matthew Richardson producer and Jon Morrell designer) have nothing to offer beyond the stock ideas and bare scenery encountered in any low-budget production. The pacing of the drama is unvaried, at odds with the spirited conducting of Dominic Wheeler.

Fortunately there are some decent voices on hand to carry the performance along, notably Jane Leslie MacKenzie's soaring Marguerite and Andrew Slater's able Mephistopheles. Colin McKerracher dutifully sings Faust's most awkward music, but at the price of strangulated tone. Karl Morgan Daymond gets to deliver a hitherto unknown solo as Valentin. Otherwise, like the flowers under the devil's spell, this *Faust* has unexpectedly withered at the touch.

Carmen performances, with further cast changes, on May 14,17, 20 (the last relayed to the Big Screen in the Piazza). Sponsored by Daiwa Europe and The Linbury Trust.

Faust: the Bull Ring Centre, Birmingham, then on tour until June 19

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight: Uwe Matschke plays piano works by Liszt. Tomorrow, Fri: Simon Rattle conducts two programmes with City of Birmingham Symphony Orchestra, including symphonies by Tippett and Bruckner (01-728 2333/01-722 5511)

■ BARCELONA

Palau de la Musica Tomorrow, Sat, Sun morning: Salvador Mas conducts Barcelona City Orchestra and Coral Carmina in Mendelssohn's incidental music to A Midsummer Night's Dream. Mon: Eliahu Inbal conducts Frankfurt Radio Symphony Orchestra in Bruckner's Fifth Symphony. Next Thurs: Victoria de los Angeles (268 1000)

■ BERGAMO

The annual festival at Bergamo and Brescia runs till June 11 with an emphasis on the piano music of Bach, Mendelssohn, Schumann and Reger. (Bergamo: 035-249631. Brescia: 030-375 7974)

■ BOLOGNA

Teatro Communale Next Tues: Peter Maag conducts first night of Lorenzo Mariani's new production of Offenbach's Barbe-bleue, with cast headed by Ezio Di Cesare and Adelina Scarabelli. Daily except Mon till May 27 (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

■ FLORENCE

MAGGIO MUSICALE
Chung Trio gives a recital of piano trios tonight at Teatro della Pergola. A new ballet by Gianfranco Paoluzi, with music by Hindemith, can be seen tomorrow and Sun afternoon. Samuel Ramey gives a song recital on Tues. The next opera production at Teatro Communale is Luc Bondy's Salzburg Festival staging of Salome, opening May 22 (055-277 9236)

■ GENOA

Teatro Carlo Felice Sun: Bruno Bartoletti conducts first night of Pierluigi Samaritani's new production of Lucia di Lammermoor, with cast headed by Mariella Devia, Giorgio Zancanaro and Vincenzo La Scola. Repeated May 18, 21, 22, 24, 26, 29 and June 3 (010-589329)

■ LONDON

THEATRE

- Pericles: Phyllida Lloyd makes her National Theatre debut directing Shakespeare's magical epic, starring Douglas Hodge. Previews from tomorrow in the Olivier, Press night next Thurs (National 071-928 2252)
- The Man Who: Peter Brook's international theatre company is on its first visit to London for over 15 years. Ends May 21 (National 071-928 2252)
- Love's Labour Lost: Ian Judge's Brideshead-style production of Shakespeare's comedy. In repertory with David Thacker's production of The Merchant of Venice, starring David Calder as Shylock (Barbican 071-638 8891)
- An Inspector Calls: the National Theatre's multi-award-winning reinterpretation of J.B. Priestley's psychological thriller, directed by Stephen Daldry (Aldwych 071-836 6404)
- Hamlet: Rory Edwards is the Danish prince in Julia Bardsley's Fellini-style production. Till May 21 (Young Vic 071-928 6363)
- An Absolute Turkey: Felicity Kendal plays a harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall's enjoyable production of Feydeau's Le Dindon (Globe 071-4945065)
- For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962. Most London theatres are closed on Sunday.

OPERA

Covent Garden The Royal Opera has a new production of Giordano's Fedora starring Mirella Freni and José Carreras (till May 27), plus Johannes Schaaf's staging of Le nozze di Figaro with Bryn Terfel and Sylvia McNair (till May 25), and Carmen with Denyce Graves and Placido Domingo (till May 20). The next Royal Ballet performance is May 30 (071-240 1066)
Coliseum ENO has Judith Weir's new opera Blond Eckbert (till May 18) and Cosi fan tutte with a cast headed by Vivian Tierney. Tim Albery's production of Peter Grimes is revived on May 20 with Philip Langridge in the title role (071-836 3161)
Queen Elizabeth Hall Final performances of David Freeman's Opera Factory production of The Rake's Progress are tomorrow and Sun (071-928 8800)

CONCERTS

South Bank Centre Tonight: Alban Berg Quartet gives first UK performance of Luciano Berio's Notturno Quartet III, plus Haydn and Schubert. Tomorrow: Franz Welser-Möst conducts LPO and Choir in Berio and Mahler, with vocal soloists Felicity Lott and Marjana Lipovsek. Sat: Berio conducts BBC Symphony Orchestra and Chorus in concert performance of his opera La Vera Storia (UK premiere). Sat (QEH): Marjana Lipovsek song recital. Mon: Bolshoi Opera soloists sing arias from Russian and Italian operas. Tues: Chick Corea and band. Tues (QEH): Vladimir Ovchinikov plays Shostakovich's Piano Quintet with Chilingirian Quartet. Wed: Matthias Bamert conducts London Mozart Players in Haydn, Telemann, Bach and Strauss (071-928 8800)
Barbican Tomorrow: Valery Gergiev conducts RPO and London Choral Society in UK premiere of Rimsky-Korsakov's opera Kashchey the Immortal, with Kirov soloists. Sat: Bruno Weil conducts Tafelmusik baroque ensemble in Bach, Haydn and Mozart, with clarinet soloist Charles Neidich. Sun: Michael Tilson Thomas conducts LSO in Mahler's Sixth Symphony. Tues: Nikolai Demidenko is piano soloist with Guildhall String Ensemble. Wed: London Oriana Choir sings Fauré's Requiem (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight: Atelier XVIII plays chamber music by Giardini, Beethoven, Mozart and others. Tomorrow, Sat, Sun: Walter Weller conducts Spanish National Orchestra in works by Glière, Prokofiev and Glazunov, with piano soloist Ilan Rogoff. Next Tues: Alicia Nafé song recital (01-337 0100)

■ MILAN

Teatro alla Scala A new production of Rigoletto, conducted by Riccardo Muti and staged by Gilbert Deflo, opens on Sun with a cast headed by Leo Nucci, Roberto Alagna and Ruth Ann Swenson (in repertory with changing casts till June 30). The Chung Trio gives a recital on Mon, and a new production of Elektra opens on May 28 (02-7200 3744)

■ PRAGUE

PRAGUE SPRING FESTIVAL
The festival opens tonight at Dvorak Hall with the first of two performances of Smetana's Ma Vlast by the Prague Symphony Orchestra conducted by Neeme Järvi. The opening week includes concerts with Rudolf Firkusny and Josef Suk, recitals by Garrick Ohlsson and Agnes Baltsa, and a visit from the City of Birmingham Symphony Orchestra under Simon Rattle. Later in the festival, which runs till June 2, there will be a chance to hear the BBC Philharmonic under Yan Pascal Tortelier and Charles Mackerras, the Berlin Symphony Orchestra under Libor Pesek, the Tallis Scholars, Steve Reich and Musicians, Stamic Quartet and many others. The National Theatre has Janacek's The Makropoulos Case, Dvorak's The Jacobin and Gounod's Roméo et Juliette (Tiketpro, Pod Julisko 5, 16000 Praha 6, Czech Republic. Tel 02-311 8780 Fax 02-311 3882)

■ ROME

Teatro Valle Tomorrow: Maurizio Pollini piano recital. Sat, Sun, Mon, Tues: Marcello Panni conducts Orchestra dell'Accademia di Santa Cecilia in works by Copland and Stravinsky. May 20: Andras Schiff. May 28: Oslo Philharmonic (06-678 0742/06-6880 3794)

■ VENICE

Teatro La Fenice May 18, 20, 22: René Clemencic conducts Gilbert Deflo's production of Monteverdi's L'Orfeo, with cast headed by Alan Titus (041-521 0161)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Green warrior turns on his own troops

BOOK REVIEW

WARRIOR – One Man's Environmental Crusade
By Pete Wilkinson with Julia Schofield
Lutterworth Press £17.50, 142 pages

"*You can't sink* a rainbow", their lapel badges proclaimed. But on the morning of July 10 1985, Pete Wilkinson and other board members of Greenpeace International, planning an anti-whaling campaign from a hotel room in Bournemouth, Dorset, received a reverse-charge call from New Zealand telling them that their flagship, the Rainbow Warrior, had been sunk by two explosions. One crew member died.

It emerged that the blasts were caused by explosives deliberately attached to the hull, and that French secret agents were responsible. The international condemnation that followed brought Greenpeace, already one of the world's best-known environmental pressure groups, greater prominence.

For Wilkinson, a leading campaigner for Greenpeace in the UK since its early days in the 1970s, the evidence of the violence which their protests could provoke was a turning point, which "forced me to make the transition from the idealism of the '70s into the harsh reality of the '80s".

But Wilkinson also makes clear that the sinking coincided with – and may have accelerated – a change in Greenpeace's character. From a small band of penniless conservationists in the 1970s, it now spans 30 countries with an annual worldwide income from donations of $150m.

In this entertaining chronicle, Wilkinson makes the charge that, during this transformation, Greenpeace has "lost direction". It has become bureaucratic, he claims, staffed with lawyers and well-paid administrators with briefcases, who are unwilling to don rubber suits to stop up the outlet pipes of industrial plants.

This metamorphosis is characteristic of many "green" pressure groups, he alleges. In his view, "the green movement has faced a difficult time since [the mid-1980s]. Some would say it has been neutered. It is certainly less radical".

He bases his case on a comparison of present sophistication with enthusiastic campaigns in the early 1970s, even though methods then were sometimes amateurish. In one campaign for Friends of the Earth, he and his colleagues set out to collect non-returnable soft drinks bottles from streets to deliver to Schweppes, the manufacturer, in protest at the litter. Failing to find enough, they bought hundreds of bottles and poured the fizzy drink into vats. (Friends of the Earth says this manoeuvre would be unthinkable now.)

Despite the group's rapid growth, the hippy element remained strong for years. Wilkinson describes campaigners dancing naked under the Antarctic sun.

But the group's interest in attracting media attention developed rapidly. A 1985 BBC documentary "netted Greenpeace a cool £100,000 in boosted donations and membership", he says. When an assault on the Department of the Environment's tower block failed to attract immediate publicity, Wilkinson urged a colleague to call the police. His anxiety subsided only when "a squad car came screaming up and I heard the familiar words: 'Wilkinson, you're nicked' ".

Despite those self-conscious heroics, Wilkinson is an engagingly self-deprecating narrator. He notes he "never quite seemed to be given responsibility": he is not, he makes clear, one of the natural stars of the green movement.

But beyond the details of Greenpeace's evolution, his account illustrates how the green movement built up public support and how the nature of campaigning has changed.

"When Greenpeace had grown to be a sought-after prize, control of the organisation was to preoccupy the time of many people," he says. From 1981 Greenpeace began to build a formal structure, linking all the national branches, which Wilkinson found claustrophobic. It led, he says, to "computer and communications technology as could be found in the offices of Rio Tinto Zinc or ICI".

Wilkinson himself, with the sound of Jimi Hendrix blaring in the background, finally drafted his resignation letter in 1987. Since then, there is evidence that green groups have tried to address some of the flaws he identifies. In 1990 Greenpeace began to trim some of its internal hierarchy. Chris Rose, campaigns director of Greenpeace UK, says: "We are trying to put more of our resources into the front line – though I know that sounds like the reform of the National Health Service."

But he contests many of Wilkinson's charges. According to Rose, "we are as keen to engage in direct actions as ever, but effectiveness is now the main question". He points out that when Greenpeace blocked British Nuclear Fuels' discharge pipe off the Cumbrian coast in 1987, "two people went to jail and the plant carried on". Instead, last year, in trying to stop BNF's Thorp reprocessing plant, Greenpeace took BNF and the government to court. Although in the end Greenpeace lost, it delayed the start of operations for a year.

Rose also points out that targets have become more difficult to find: some of the worst cases of pollution – such as sewage, or dumping highly coloured titanium oxide waste – have been addressed. The group now needs lawyers and researchers because, frequently, the cause of pollution "is not clear cut", he says.

Greenpeace will now also talk to big business: it recently helped manufacturers develop a fridge that does not harm the ozone layer.

Rose, one of the green movement's more thoughtful strategists, is surely right that the pressure groups needed to change in these ways. While Wilkinson can be accused of nostalgia on many counts, he raises an important question: whether Greenpeace's supporters are reconciled to this change. If they are not, and if their donations are still inspired by the images of heroic campaigns, then Greenpeace's income and influence may eventually be threatened by its growing sophistication.

Bronwen Maddox

ECONOMIC VIEWPOINT

Single currency rises again

By Samuel Brittan

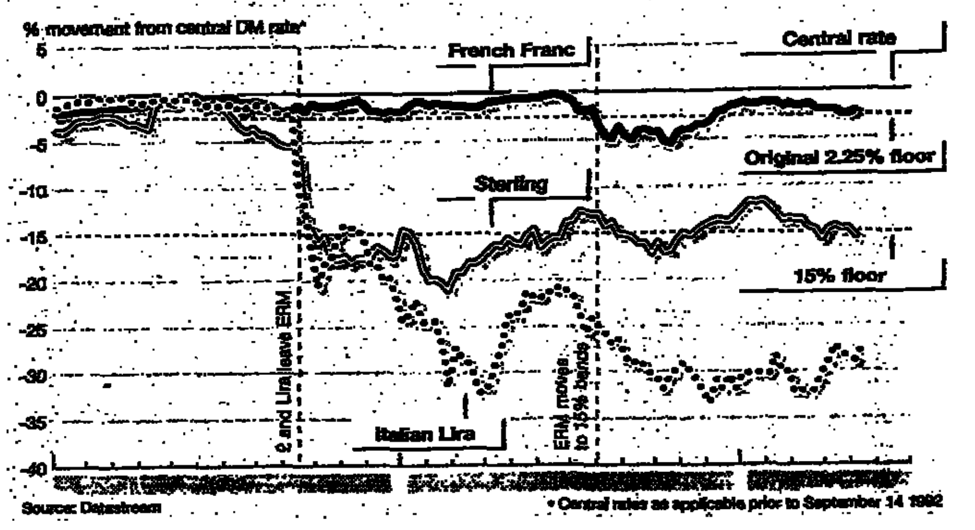
Most UK proponents of a European Union referendum are studiously vague on what should be asked and when. The merger of sterling into a common European currency would, on the other hand, be the type of constitutional change justifying a referendum, not now, but at the time it was proposed. UK ministers are, moreover, deceiving themselves if they believe that the issue has conveniently gone away, as it seemed it might have done a few months ago.

At the beginning of August 1993, the old 2¼ per cent exchange rate mechanism grid succumbed to a speculative attack. An emergency meeting of finance ministers widened the grid to 15 per cent on either side of the central parities. This was so broad as to constitute virtually freely floating rates. The Euro-sceptics could hardly restrain their joy. The derailment of the ERM would, they hoped, put paid to the more ambitious European Monetary Union project.

But then a strange thing happened. The French government did not take advantage of its freedom from ERM constraints to slash interest rates, but continued to follow the Bundesbank lead. And the franc, instead of diving like sterling and the lira after they left the ERM, recovered. It re-entered the old grid at the beginning of last December and has not strayed far from it since. The fundamentals of a better-than-German inflation performance reasserted themselves over the instant cynicism of the currency markets.

A similar story with minor variations applies to the other 'core' members of the ERM, including the Belgian-Luxembourg franc and the Danish krone. The Netherlands guilder has remained within even narrower limits. And the Austrian schilling – technically outside the ERM – has remained close to the D-Mark.

There is room for argument about whether the French and other governments were right to stick so long within the narrow ERM bands without a realignment in view of the long period of high German interest rates. But having kept to the policy during the most difficult period, it would be an unnecessary sacrifice of counter-inflationary credibility – as well as of wider political aims – to abandon the D-Mark related policy now, just when German interest rates are approaching levels with which neighbours can live.



Source: Datastream
* Central rates as applicable prior to September 14 1992

It is worth noting that, although the UK was able to cut interest rates early as a result of leaving the ERM, British short-term rates are now no lower than French or German ones; and long-term rates are 1-1½ percentage points higher – the market's verdict on the credibility of a go-it-alone policy without an independently accountable central bank.

Where do we go from here? An EU summit has to decide not later than December 31 1996 whether a majority of member states fulfil the necessary conditions for the adoption of a single currency.

The summit can fix a date for Emu at any time during 1997 and 1998. If, however, a date has not been set by the end of 1997, "the third stage [ie, Emu] shall start on January 1 1999". Another summit, voting by qualified majority, will decide which members fulfil the necessary conditions. There is no minimum number. Conditions which Emu participants must satisfy are:

- A rate of inflation "close to that of the three best performing states";
- Convergence of long-term interest rates;
- A "sustainable government financial position";
- The observance of "the normal fluctuation margins" of the ERM "for at least two years without devaluing against the currency of any other member state".

The two EU countries with the lowest inflation rate are France and Ireland with a rate of less than 2 per cent a year. The UK, Belgium and Luxembourg tie for third position with 2.3 per cent, followed by Germany with 3.2 per cent and the Netherlands with 3.9 per cent. The convergence of long-term bond yields has gone even further for the core countries, where they stand at about 6½-7 per cent.

Core EU members may move directly to monetary union, bypassing the narrow ERM

The fiscal guidelines appear the most troublesome. A Maastricht protocol mentions a budget deficit limit of 3 per cent of gross domestic product and a debt ratio not exceeding 60 per cent. Only Luxembourg and Ireland fulfilled the deficit criteria last year. The Bundesbank is particularly keen on these criteria, and would be unlikely to recommend giving up the D-Mark if they were too obviously flouted. Nevertheless the Maastricht treaty itself provides (Article 104c) escape provisions if the excess deficit is "exceptional and temporary" or if the excess is declining.

The central condition remains the final one about exchange rate behaviour. The treaty says nothing about the narrow 2¼ per cent band. Thus, theoretically, members could declare the present 15 per cent margins to be the normal ones. But it is inconceivable they will move to Emu if market exchange rates are fluctuating throughout the wide band.

The French and the other governments are not disposed to tempt fate by re-entering a narrow official ERM grid in the foreseeable future. What they are doing is to commit an even greater crime in Euro-sceptic eyes – namely shadowing the D-Mark. This means that in the face of a determined currency attack there will be no firm floor for the speculators to aim at, and there could be temporary dips, such as that in the last few months of 1993. But monetary policy will be conducted with the aim of keeping currencies near to the D-Mark.

If the inner group currencies remain *de facto* close to their central rates, the governments concerned may move directly to monetary union, bypassing the narrow ERM stage. This route has been envisaged for these countries by, among others, Eddie George, Bank of England governor.

The crucial step provided for in the Maastricht treaty is for the participating governments to declare their parities "irrevocably fixed". After that – and a good deal of preparation – existing currencies would be replaced by the Ecu.

Such developments would not be entertained until the European Union is clearly out of recession and German unification no longer distorts policy. Some governments might then want to move quickly while conditions remain right, and before too many other countries had joined Italy in acquiring Euro-sceptics in important government posts.

To those who are neither federalists nor nationalists the relevant questions are clear enough. A single currency means a single monetary policy tailored to the average needs of the EU as a whole, just as Federal Reserve policy is designed for average US conditions rather than the particular needs of California or New England. Would the advantages in reduced uncertainty and transaction costs outweigh the disadvantages of not being able to follow a monetary policy adapted (within limits) to the needs of particular parts of Europe? And what would be the gain for countries of doubtful counter-inflationary credibility – as the UK still is – from substituting a European currency under a European Central Bank modelled on the Bundesbank for its own? It would also be necessary to cast a weather eye on the likelihood of the new ECB being just as vigilant to avoid contractionary movements of nominal demand as of rising inflation.

And finally, if Emu is going to go ahead in any case, what would be the downside risk to the UK of staying outside? Not necessarily the same as it would be for Switzerland or small south-east Asian economies without a currency anchor. These are the questions which need to replace the futile UK debate on the Conservative leadership.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Own brand look-alikes are 'parasites'

From Mr John Murphy.

Sir, On Tuesday, the British Producers and Brand Owners Group published research which shows that consumers feel that distinctive brands are important and that they are confused by look-alike products.

There is a world of difference between a retailer's own-label and its look-alike products. Own-label products represent fair competition. Look-alikes that deliberately assume the characteristics of market-leading brands are parasites and represent unfair competition.

Retailers operate in a competitive marketplace. They know the value of a distinctive brand name as well as anyone else. So why do they produce look-alikes?

Have things become so dire for retailers that they have had to resort to deception for their sales? The challenge now to retailers is to listen to the voice of the consumer and package their own products as distinctive brands in their own right. The question is: will they?

John Murphy,
chairman,
Interbrand,
40 Long Acre,
Covent Garden,
London WC2E 9JT

Salary of new IoD chief

From Mr Michael Mander.

Sir, Your statement that the new IoD director-general's salary is to increase from Peter Morgan's £148,000 to £180,000 ("Nationwide chief to head IoD", May 5) is not correct.

The present director-general receives a salary of £148,000, plus a pension contribution of £30,000 – a total remuneration package of £178,000.

The new director-general will receive a salary of £160,000 and a pension contribution of approximately £20,000 – a total remuneration package of £180,000, and this salary will be frozen for three years.

Michael Mander,
chairman,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED

Industry needs common cause

From Mr Denis MacShane MP.

Sir, I have just finished a by-election campaign in Rotherham. The number one issue for local people, businessmen, and executives of steel and engineering companies was the parlous state of the UK manufacturing sector.

At a time when every ounce of talent, co-operation and partnership is needed to save British manufacturing from its "friends" in the City and their friends in government, it was sad to read the attack by the director-general of the Engineering Employers' Federation upon the proposals for European employee consultation (Letters, May 9).

To return after 15 years working in Europe to hear this age-old hostility to partnership is depressing and bad news for UK manufacturing, face to face with competitor nations which seek to harness the efforts of workers and the commitment of unions to the common good of the enterprise.

You also reported an appeal by multinationals for new international regulation, in the form of a treaty, so that companies are not discriminated against as they invest in different countries ("Multinationals seek investment treaty", May 9). The growing internationalisation of investment, production and marketing is leading to more and more calls for such trans-frontier regulation. It is illogical to assume that there can be common supranational rules for companies and for capital and expect, on the other hand, that the human beings and citizens who work for these companies are denied common rights of consultation across frontiers.

Until the UK's manufacturers agree to make common cause with their employees and their representative organisations, the long-term future for UK industry will remain bleak.

Denis MacShane,
House of Commons,
London SW1A 0AA

'Dead money' costs of EU translation

From D.S. Lord.

Sir, Mr Hilary Chapman (Letters, May 7/8) did not give you details of the high cost of interpretation and translation in the European Union.

The Swiss Professor Claude Piron, an interpreter and translator, said in a lecture given in Esperanto in 1993 to an international audience: "The European Community makes use of the services of 2,500 translators and 570 permanent interpreters, plus 2,500 interpreters on temporary contracts. In 1989 it spent on language services Ecu1.4bn – £1.2bn; I am not mistaken, it does in fact concern a milliard: 1,200 million pounds [both items of information – number of language functionaries and costs – are from Mario von Baratta and Jan Ulrich Clauss, *Internationale Organisationen*, Frankfurt am Rhein: Fischer, 1991]."

He went on to say: "In 1992, transferring documents between Brussels and Strasbourg for the European Parliament cost 3 milliard Belgian francs (£50m). This sum does not include the documents which pass through Luxembourg to be translated and reprinted there. Twice a month the firm of Danzas transports 80 metric tonnes of archives in nine languages.

"If one of the chests is lost, which happens from time to time, the parliamentary session is interrupted until it has been recovered, so that every language group may have at its disposal the texts in its own language [Laurent Fontaine, *Le Coût de la Bougeotte*, L'Instant, October 24-30 1992]."

These sums may be termed "dead money" in that they produce nothing of value.

D.S. Lord,
lecturer in Esperanto,
School of Modern Languages,
University of Liverpool,
PO Box 147,
Liverpool,
L69 3BX

Consultants: the alibi for indecision

From Mr Nicholas Stacey.

Sir, As you reported ("Whitehall waste over consultancy projects attacked", April 26), more than half a billion pounds has been spent by the government and its agencies on consultancy contracts; but all of this expenditure saved only £10m, a derisory return. However, the total expenditure incurred on consultants is likely to be immeasurably greater in real terms – though unquantifiable – when including the tens, if not hundreds of thousands of man hours spent by well-paid civil service employees in the ministries, quangos etc explaining the problems to the consultants.

The importance of qualified professional consultants should not be underrated – and in this instance I have management consultants in mind. Their effectiveness in "the firm" hinges substantially on the support and co-operation of the insiders. Hence, the derisory government savings reflect some inadequacies in communicating with and in using consultants.

A cult has grown up in the past decade or two, enlisting an increasing number of outside professional consultants in government, and in the National Health Service (counsellors). Judged by the government's propensity for paid outside advice and the cost incurred, has this trend gone too far? Could it be that consultants often provide the alibi for decisions managements know they have to take? A director of one of the big banks not so long ago asked shareholders at the annual meeting for a hike in the non-executives' honorarium in a year of massive losses and redundancies. When asked from the floor to justify his proposition, he replied: the consultants suggested it!

Such and similar examples are an expensive way of passing on responsibilities for action taken or contemplated. I wrote a book about "Living in an alibi society" a few years ago; I am now watching it being realised.

Nicholas Stacey,
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FINANCIAL TIMES

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Thursday May 12 1994

Italy's new government

With the swearing-in yesterday of Mr Silvio Berlusconi at the head of its 53rd postwar government, Italy has truly entered uncharted waters. Not only is the new government uncomfortably low on political experience, as was only to be expected after a general election in which voters decisively threw out representatives of the old political order. It is also led by a man who has yet to resolve the conflicts of interest between his business empire and his political role, and comprises bedfellows whose heterogeneity and distaste for one another were underlined by the *opera buffa* of coalition haggling over the past six weeks.

Most eye-catchingly, perhaps, it is the first government since the war to contain representatives of a party, the MSI, that has not repudiated links with Italy's fascist past and that is not committed to all Italy's international treaties. Another coalition member, the Northern League, has in the past come close to advocating the break-up of the country. Small wonder that President Oscar Luigi Scalfaro took the unprecedented step of publicly warning the new prime minister to respect Italy's international obligations and alliances and to maintain its national unity.

Yet the real reason to worry about Mr Berlusconi's creation is not that it summons echos of a relatively distant past. It is that it may prove incapable of dealing with the challenges of the present – paramount among them the economy, still in the early stages of a fragile recovery and burdened by a mountainous public debt.

On the face of it, the new government offers some reassurance on this score in the shape of Mr Lamberto Dini, plucked from the Bank of Italy to run the Treasury. But even he is something of a political novice – and his is but one voice in a coalition dominated by competing power-brokers. Moreover, he will be only too well aware of how the most powerful broker of all won election: on the basis of tax-cutting and job-creating promises that were, to put it charitably, over-optimistic.

Were Mr Dini to be forced into trying to deliver Mr Berlusconi's false dawn, he would be putting at risk the project of economic renewal painfully initiated by the Amato and Ciampi governments of the past two years – and with it, Italy's financial credibility.

Their brave battle against swelling budget deficits merely contained the problem rather than resolving it: already there has been disturbing slippage in spending and receipts, with the result that the deficit this year will be close to 10 per cent of GDP notwithstanding the relief afforded by falling interest rates. Similarly, the two previous governments may have begun the lengthy process of privatising state enterprises, but the really difficult parts of that task still lie ahead, and the new coalition is beset by confusion as to how to proceed.

Mr Berlusconi should use his first speech to parliament to junk his campaign rhetoric in favour of a firm statement of economic intent, with discipline in public finances and rapid privatisation as top priorities. As a newcomer to politics with a strong mandate, he can afford to be radical in this direction. If he instead tries to please those who believed his election promises, Italians will discover that the new order for which they thought they voted is no better than the old.

CrossRail debâcle

Plans to build CrossRail, a new east-west rail line across London, have been thrown into disarray by a small committee of MPs. It has blocked the passage of the bill needed to allow the line to be built, to the horror of the project's backers and London businesses. The future of CrossRail is now in doubt, with substantial delay inevitable even if the government introduces a fresh bill.

The case for building CrossRail was convincingly demonstrated in the Central London Rail Study five years ago. The study identified the line as the most effective option for relieving congestion on the existing rail network and catering for future growth. Yet it is the much less cost-effective Jubilee line extension to London's Docklands that is now being built. It was given the go-ahead largely, it appears, as a political gesture to bail out the Canary Wharf development.

Those who oppose CrossRail – including the Treasury – point to the drop in central London traffic since 1989. Because of the recession, they forecast that the new rail link will not be needed until well into the next century. This short-sighted approach is sadly typical of UK transport planning: almost every major project from the M25 to the Manchester Metro has found use growing much faster than forecast. On the basis of a short-term economic fluctuation, a project has been blocked that would serve London for decades.

This debâcle is the latest in a long line of transport planning failures in the UK's recent history. Like the Channel tunnel rail link and the Birmingham north orbital road, CrossRail will be completed long after it is needed – if ever. It need not be so, as the experience of other European countries indicates. The contrast with France is painful: its high-speed rail network was extended to the mouth of the Channel tunnel months before it opened.

A better mechanism is needed for setting transport priorities than an ad hoc group of MPs. Ministers should make decisions on the basis of transport criteria, not political expediency. Once agreed, funds should be committed and not withdrawn at the whim of the Treasury. Planning transport infrastructure is something that only government has the power to do: the present procedures are hoplessly inadequate.

Bundesbank cuts

The timing and size, though not the direction, of the Bundesbank's latest interest rate cuts were a surprise. A cut of half a percentage point in the discount rate, to 4.5 per cent, is an aggressive move, particularly when the repurchase (or "repo") rate remained well above its previous discount rate floor. Combined with the torrid growth of the money supply, this cut must be deemed risky. The Bundesbank's traditional monetarism is in question. If the risk it is taking does not prove justified in the medium term, Germany's reputation for monetary stability may be endangered as well.

The last time the discount rate was this low was in June 1989, though prior to that it had been at, or below, this level for more than six years. But German consumer price inflation, though declining, is still running at an annual rate of over 3 per cent and, more important for Bundesbank credibility, the annualised increase of broad money (M3) between the last quarter of 1993 and March 1994 was 15.4 per cent.

How then does the Bundesbank justify the latest of this series of interest rate cuts, which have lowered the discount rate by 1¼ percentage points and the repurchase rate by 65 basis points (0.65 percentage points) since February? It points to the improved prospects for inflation and the need to loosen a "liquidity blockage", by which it means the willingness of investors to hold liquid deposits, included in M3, rather than less liquid assets. An additional factor will have been the strength of the D-Mark. Mr Hans Tietmeyer, Bundesbank president, argued only a week ago that too strong an appreciation of the D-Mark against the dollar was not in the interests of the German economy.

The current performance of the German economy can justify this latest series of cuts. Industrial output has been bumping along the bottom since the end of 1992, while gross domestic product, though recovering, remains well below the peak in early 1992. The declining rate of inflation and the low level of wage settlements also justify expansionary moves.

Against this are not only the money supply, but also the performance of German bonds: the yield on 10-year bonds rose by 109 basis points, to 6.63 per cent between the beginning of January and Tuesday of this week. While less than in the US or the UK, this increase demonstrates that inflationary fears have not been slain. At the same time, the special factors that are used to explain the rapid growth of M3 are less than convincing. It is also not true that M3 growth would necessarily decline if people were prepared to shift into less liquid deposits. The principal determinant of broad money is credit growth, which may even be increased by the lower interest rates and recovering economy.

It was easier to justify rapid cuts in German interest rates a year ago than it is now, which suggests that the Tietmeyer Bundesbank is different from that of his predecessor, Mr Helmut Schlesinger. This is not the first time policymakers have decided to explain away inconvenient monetary numbers, one particularly sad example being the UK in the second half of the 1980s. It is to be hoped that the Bundesbank is not making a comparable mistake.

Paradise too good to be true

Hong Kong banks are enjoying bumper profits. But will they last, ask **John Gapper** and **Simon Holberton**

Seen at night from the Star Ferry as it makes its way across Victoria Harbour towards Kowloon on the mainland, Hong Kong's banks gleam brighter than ever. The political uncertainty afflicting the colony in the last years of British rule has not damaged the ability of the 175 banks to earn money in what is now the most profitable banking market in the world.

Banks in the colony commonly make post-tax returns on equity of more than 20 per cent – twice that of banks in many European countries. But such profits may not last forever. Banks are already mulling the likely effects of Chinese rule after July 1997; some wonder if earnings will deteriorate before then.

"We live in a fool's paradise, and they never last long," says Mr Werner Makowski, managing director of Dao Heng Bank, one of the biggest banks in Hong Kong. "We've had 10 years of growth, and bad debts are ridiculously low," says Mr Tony Nicolle, Hong Kong general manager at Standard Chartered, the UK-listed international bank with roots in the colony.

The fool's paradise might yet end with a painful correction similar to that in many Organisation for Economic Co-operation and Development countries at the end of the 1980s, when bad debts cut heavily into profits. But most local bankers think it is more likely to give way to a gradual squeeze on earnings. "You cannot rule out the risk of collapse [in profits], but it is not my best guess," says Mr David Carse, the chief banking supervisor for the Hong Kong Monetary Authority.

Earnings will come under pressure because Hong Kong will find it hard to maintain the exceptional combination of factors which have boosted bank profits in the past three years:

● The Hong Kong economy has been expanding rapidly, achieving growth of more than 5 per cent in each of the past two years. It has been boosted by free-market reforms in China, which have led to buoyant economic growth in the Pearl River delta adjacent to Hong Kong. Fast growth insurrounding Asia Pacific economies – averaging more than 6 per cent over the past decade – has also led to strong demand for loans and trade finance.

● Despite the recent growth in bond issues, Hong Kong companies have traditionally sought debt finance from banks rather than capital markets. This has underpinned a steady expansion in balance sheets – bank loans in Hong Kong grew by 15.4 per cent in the year to last September.

● Borrowing has been encouraged by negative real interest rates forced on the colony by the exchange rate "peg" between the Hong Kong and US dollar. Hong Kong has been obliged to keep interest rates low despite inflation of 8.5 per cent last year. "There is a huge demand for credit. Borrowing money is the cheapest thing you can do here," says Mr Makowski.

● Banks have managed to sustain the so-called "cartel" – or interest rate agreement – under which the Hong Kong Association of Banks formally sets interest rates paid on Hong Kong dollar deposits of less than HK$500,000. By keeping rates artificially low, the arrangement has bolstered the net interest margin (the gap between interest rates paid on deposits and charged on loans).

● The level of bad debts has been extremely low, at less than 0.2 per cent of loans, compared with 10 times that in some OECD countries. Hong Kong bankers say that this is not only because of rapid growth and full employment, but local culture. "People just do not default on loans here," says Mr Stephen Li, a banking analyst at Jardine Fleming, the securities house.

These factors have sustained Hong Kong's banks at a time when many elsewhere have been in crisis. Yet although no calamity has yet struck the colony, investors have lost much of last year's confidence in its banks: share prices of Hong Kong banks have fallen by an average of 35 per cent from a peak in February. In part this drop reflects the 27 per cent fall in the Hang Seng index over the same period, as international fund managers' euphoria about Asian markets has dissipated. Yet there is also unease over whether Hong Kong banks' profits can be sustained. There are three main pressures:

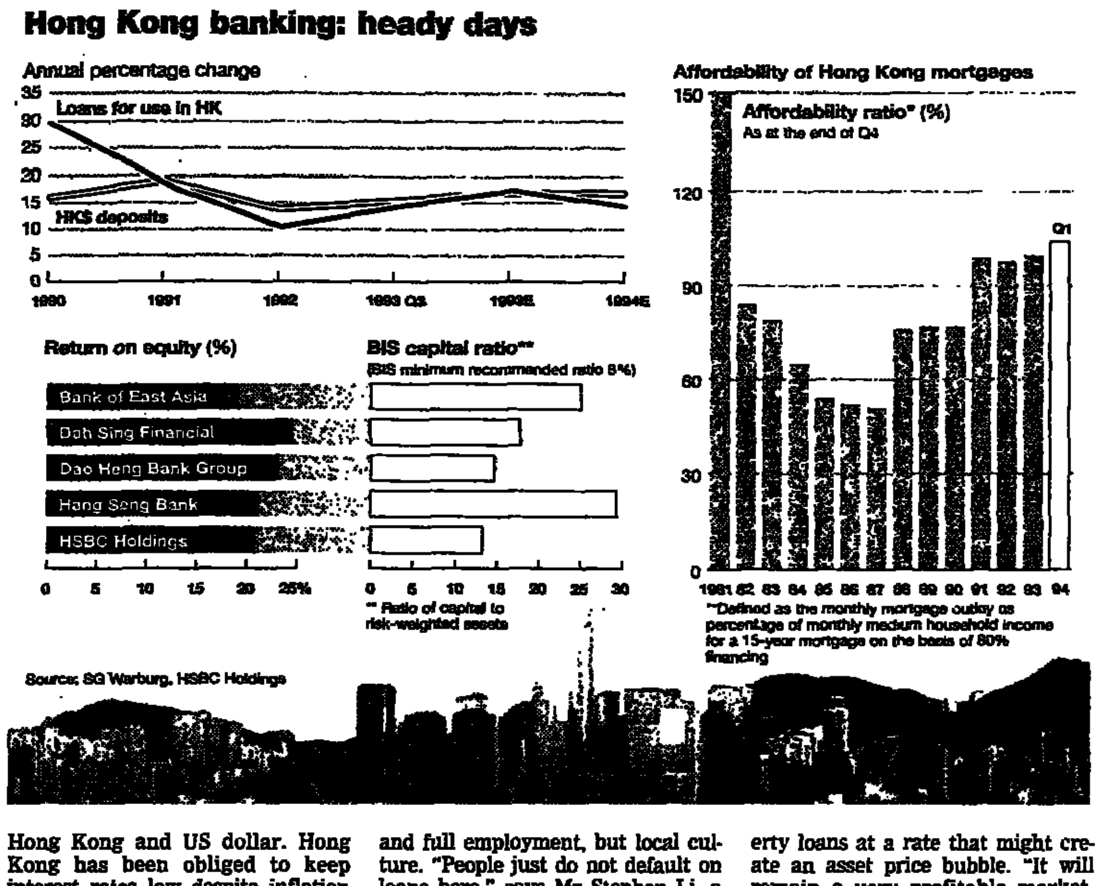
First, Hong Kong banks do not want to continuemaking new property loans at a rate that might create an asset price bubble. "It will remain a very profitable market, but it cannot continue to grow at the same rate. That would be dangerous," says Mr Paul Selway-Swift, executive director of Hongkong Bank.

Banks also face pressure from regulators. The prime example is in the domestic mortgage market. There has been strong demand for loans in the past three years as prices of flats have escalated, and the Hong Kong Monetary Authority has set limits on borrowings and warned banks of the risk of mounting bad debts. The maximum ratio of mortgage loan to value of property is now 70 per cent, and it is hard to get more than a 50 per cent mortgage on luxury flats. "We are getting to the stage where banks' huge increases in mortgage lending will be constrained," says Mr Carse of the monetary authority.

Second, margins will erode as banks use accumulated capital to compete. The interest rate agreement has restrained competition but there is pressure for its abolition from the Hong Kong Consumer Council, which estimates that it boosted bank profits by HK$5.2bn in 1991. The council argues this was largely at the expense of small consumers. The banks maintain that the cartel reinforces stability and avoids the need for them to impose fees and charges that could cost consumers HK$4bn a year. Yet few bankers are optimistic that margins can be sustained indefinitely. "I do not foresee dramatic change, but over time profitability will be gradually chipped away," says Mr Nicolle of Standard Chartered.

Third, banks' costs are rising. Hong Kong has traditionally been a cheap place to operate. Because the colony is so compact, banks have been able to use technology and staff efficiently. However, salaries are rising fast because of stiff competition for employees, and banks that rent branches and offices face a sharp escalation in rental costs.

Hong Kong banking: heady days



Source: SG Warburg, HSBC Holdings

A gradual deterioration in the banking conditions of the past three years would not constitute a disaster. The possibility remains, however, of banks being hit more severly if investors lost confidence in China's commitment to economic reform. A policy shift by China could badly disrupt Hong Kong's economy and undermine local property prices.

Prices for the residential property market are thought to have fallen by about 10 per cent since Mr Chris Patten, the colony's governor, warned in March that the government might have to take "exceptional" measures to curb speculation. But they remain vulnerable to a further correction as Hong Kong's interest rates rise in response to the tightening of US monetary policy.

Banks in the colony depend strongly on property – 39 per cent of their profits are estimated to be linked to the sector. For the moment, most bankers believe they are unlikely to be hit by a wave of defaults on mortgages: the average proportion of income spent on repayments is only two-thirds of the peak level in 1981.

That cushion might be insufficient if an economic downturn led to large falls in property prices and higher unemployment. But for most bankers, this seems an unlikely prospect. Though the windfall profits of the early 1990s may not be repeated, even those who acknowledge the risks ahead cannot bring themselves to worry too much. "It is all too good to be true," says Mr Makowski of Dao Heng Bank. "But while it lasts, why not enjoy it?"

Why London should be a zone alone

PERSONAL VIEW

Opinion polls show overwhelming support for doing something about London. Something to promote the capital's cause, to co-ordinate the myriad public agencies responsible for its facilities – something or someone to shout for London.

There is much less agreement on what that something should be. The left argues for a powerful London-wide body, probably an upper tier of local government. The right questions whether there is a problem at all, and looks for ways of getting business and community leaders talking to one another.

The business community has a particular perspective and contribution to make to this debate. It is primarily concerned with London as a business location. The key to making London the most successful European business location is the central area where economic and business activities are concentrated. This covers the area within the Circle line of the underground, Zone 1 on the London underground map.

As well as businesses, Zone 1 contains residential communities, government offices and cultural activities. Most of Zone 1 is in the City of London and City of Westminster. But parts are governed by other boroughs: Camden, Tower Hamlets, Hackney, Islington, Kensington and Chelsea, Wandsworth, Lambeth and Southwark.

The centres of Paris, Frankfurt and Tokyo, by contrast, are under single local authorities. Even chaotic New York has only four boroughs – and they are overseen by a dominant city-wide government.

London needs a single local authority for its central business district, a Zone 1 authority. It would take responsibility for functions such as promotion, planning, transport, education and housing. Last week's local elections have emphasised the need for such an authority, given that nine of the 10 local authorities are, at best, ambivalent towards business development and, at worst, hostile.

The Zone 1 authority would be charged with delivering quality services and managing change through the planning system. It could also take over some additional functions from government (or quangos) such as conservation, policing and traffic management. The new Zone 1 authority would concentrate on those functions which it can do best. Debate over London's strategic planning and regional development should be left to other bodies, whether national or regional, in view of the complexities and geographical influence of the capital.

The electoral system would need to reflect business voters' wishes and local democratic interests

The Zone 1 local authority should adopt the best practices and the most attractive features of the City of Westminster and the City of London. The City Corporation, which administers the City of London, is largely controlled by business representatives. It has been able to reflect the interests of the businesses that dominate the Square Mile and ensure its continuation as one of the world's leading financial centres.

The City Corporation's business franchise would be inappropriate for a larger area that included the substantial residential areas of Westminster. But it should not be completely eliminated: responsiveness to businesses' wishes will be an essential attribute of the Zone 1 authority. An electoral system needs to be found that reflects business voters' wishes and local democratic interests – a blend of the two cities' practices. Indeed, a body promoting central London's wider interests might well have been able to help get approval for the CrossRail underground railway link, which was blocked by a Commons committee on Tuesday.

The historic position of Lord Mayor of London should be maintained as a figurehead for the new authority with enormous promotional value. The title of Mayor of Westminster could be given to the leader of the council, who actually wields political control.

The stewardship exercised by the City of London over the capital's bridges, parks, heaths and other public facilities could be maintained and extended to Hyde Park and St James's. The Corporation's patronage of the arts could embrace the West End, the South Bank complex and many other facilities.

Central London is divided. The two cities upon which its wealth is built continue as separate entities at the expense of London's business community as a whole. Blending the best of both, and accepting that London is larger than both, is the essence of the Zone 1 plan.

It challenges the City of London and its strong local traditions to reach forward to support a solution that can ensure London's status as a world city into the 21st century. It challenges the City of Westminster to widen its promotional concerns to embrace fully business as a wider London interest.

John Parmiter

The author is a partner in Hillier Parker, chartered surveyors

OBSERVER

Gravy train in the air

■ "Me, travel business class?" Chad's Pierre Moussa, not to be confused with the former Paribas chairman, is the longest-serving executive director at the African Development Bank and scoffs at the very suggestion. He has always travelled first class; his reputation depends on it.

Absolutely.

Unfazed by last year's fuss over Jacques Attali's free-spending ways at the European Bank for Reconstruction and Development, the AfDB is the only multilateral development bank which still flies all its big cheeses in the very best seats.

Downgrading to business class is a pretty feeble symbolic gesture, reckons Moussa, even for a bank ministering to the the world's poorest continent. Never mind the AfDB's mounting arrears – owed by bankrupt African governments – and suspected internal mismanagement.

Still, the AfDB gravy train could be endangered. In the kind of radical gesture loved by indolent bureaucracies, some of the bank's richer donor nations may try to prevent AfDB directors flying to Paris for dental appointments on the bank's expenses.

Moussa – on the board for 19 years – is rather irritated by proposals to limit board membership to two years. Such ideas, he says, are typical of the "small civil servants" from western countries who occupy six of the 18 seats on the AfDB's executive board.

"He's a dinosaur," responds one of the "small civil servants".

Walls have ears

■ With less than a month to go, reverberations from the D-Day fiasco continue to rumble in the UK. But it's a very touchy subject.

Latest offering is purported to derive from Michael Baldwin, keeper of weapons at the National Army Museum in Chelsea: "It's a good job those organising the D-Day celebrations didn't organise the actual invasion – they wouldn't have got beyond the beach."

Not at all, says Baldwin, who runs the MoD-sponsored museum. "It would be most improper to suggest I originated that," he says. So he didn't say it?

"Well, everybody is saying it, aren't they – but I am not the originator."

All clear?

The hand of Hillary

■ So who was the senior US official who shook Fidel Castro's hand in Pretoria at Nelson Mandela's swearing-in and extracted from the Cuban president a compliment for being "a brave man" for so doing?

The Washington Post, which reported the incident, would not say. But the Los Angeles Times pointed the finger at Mike Espy, the agriculture secretary.

It also said that Espy was far from alone and that several White House aides had their pictures taken with Castro in a reception maelstrom. "Can't you even play tourist?" asked one. "I mean, I turned around and there he was."

Disciplinary action for consorting with the enemy is unlikely. Bill Clinton is not about to sacrifice a black cabinet member for a handshake and he hardly needs to have more vacancies on the White House staff.

Mind you, if Hillary had extended her hand, the Wall Street Journal would already have written an editorial and Castrogate would be in full swing.

Baby choirs

■ BhS, the retail store chain, either cares naught for product placement or has never heard of Britain's biggest union.

The public services union, Unison – which has 1.5m members – is celebrating the discovery of its own name splashed across a whole range of BhS children's clothing.

Could this be a brand new marketing opportunity? The union gets free advertising, and BhS can tout its wares among Unison members keen to identify with their offspring.

Where will it all end? NUT caps or Cohse sweaters?

More pennies

■ Roll up, roll up, anyone want to buy a theatre?

It's not a bad time to own a slice of London's West End. Ticket sales rose 6 per cent last year to a record 11.5m.

The theatre now in the limelight is the spankingly refurbished Playhouse, down by the Embankment, which Ray Cooney bought two years ago for £2.4m after Lord Archer couldn't make a go of it.

"I'll take £2.7m," says Cooney, who found that owning a theatre interfered with his preferred occupation of comedy writing. He is fairly relaxed about the small loss he made running it: "Theatres are not investments which make a return of 10 or 20 per cent a year. They are just a delight to own."

With just 786 seats, The Playhouse is too small for the money-spinning, long-running musicals. But the lure of the footlights, the thrill of the first nights, should tempt some optimistic angel, perhaps in New York – or even Hong Kong, where Cooney is pitching hard.

Meals on wheels

■ What's this? Mark Wood, new managing director of AA Insurance Services – the UK's biggest chain of insurance shops – regularly holds business breakfasts and lunches at the RAC Club. But surely the Automobile Association and the Royal Automobile Club are bitter rivals?

"It is out of habit really," he says, quickly displaying evidence of his membership of both the AA and the RAC. And Wood, currently spearheading a big cost-cutting exercise at AA Insurance, says he is happy to see the rival RAC bear the cost of upkeeping its lavish Pall Mall premises.

Devilish cunning, eh?

FINANCIAL TIMES
Thursday May 12 1994

Foreign secretary calls for truce over Europe

Hurd tells Tory rally that Major must stay

By Kevin Brown, Political Correspondent, in Inverness

Mr Douglas Hurd, the UK foreign secretary, yesterday sought to call a truce with the Euro-sceptic right wing of the Conservative party before next month's European elections and insisted that Mr John Major would defeat any attempt to oust him as prime minister even if the party was reduced from 32 seats to two.

"He will continue as prime minister. He will not be defeated. He will not resign," Mr Hurd said at the Scottish Conservative conference in Inverness.

Mr Hurd's unqualified support for Mr Major reflects a growing consensus among senior cabinet ministers that the party would be seriously damaged by a leadership election in the autumn.

Mr Kenneth Clarke, the chancellor of the exchequer, is expected to deliver a similar pledge of loyalty when he addresses the conference today.

Significantly, Mr Major was also given outspoken support by Mr Michael Forsyth, the Thatcherite employment minister, who is tipped to enter the cabinet as Scottish secretary if Mr Ian Lang becomes party chairman in a summer reshuffle.

Mr Forsyth called Mr Major "a man of steel", and warned "windy backbenchers and retired generals" to give their advice "in private, not transmitted through enemy lines".

Mr Hurd warned the conference that the Conservatives would avoid disaster in the elections on June 9 only if the party stopped "scratching at old wounds" over Europe.

Mr Hurd tried to appeal to Euro-sceptics by pointing out that the European Union was increasingly accepting the need for "variable geometry" – code for a more flexible community of nation states. He said: "This is a multi-track, multi-speed, even multi-layered approach which will increasingly be the way of the future. It threatens no one."

Hurd said the EU was already developing an emphasis on competitiveness, deregulation and subsidiarity which would be encouraged by the accession of Austria and three Nordic applicants next year.

He said enlargement would help create "a more comfortable Europe" which would be acceptable to 90 per cent of Conservatives.

Mr Hurd said the union's growing flexibility was reflected in Britain's opt-outs from the Maastricht agreements on monetary union and social policy, and the exclusion of some EU members from the Western European Union defence agreement and the Schengen border treaty.

He said there was no question of Britain being left in a "slow lane or outer circle" of the EU.

His speech, however, followed an acrimonious debate which demonstrated the continuing divisions in the party. Euro-sceptic delegates demanded a referendum on any move towards British participation in a single European currency, and accused the party hierarchy of trying to stamp out dissent.

Emu fans ready to move the goalposts, Page 2;
Samuel Brittan, Page 12

French to seek delay in first flights to Orly

By John Ridding in Paris

The French government yesterday set the stage for a clash with foreign airlines after declaring that flights from London to Orly airport in Paris could not start on Monday, the date set by British Airways and Air UK for the launch of their services.

The announcement follows last month's European Commission ruling ordering France to open the London-Orly route immediately and is likely to fuel the dispute over the liberalisation of the French airline market.

BA rejected the statement from the French government and said it planned to go ahead with services to Orly. "The French authorities have no right to prevent us from going there. We have the landing rights and we are preparing to operate to and from Orly from Monday," said a BA spokesman.

Air UK said it also intended to operate services from Monday.

Mr Bernard Bosson, the French transport minister, said the route would be opened as quickly as possible but that certain problems had to be resolved before services could start. "For now... the flights announced for May 16 do not respect the regulations and therefore cannot take place," Mr Bosson said.

He said there were three problems to be resolved. They were the overcrowding of Orly airport; the need to assure adequate access to Heathrow airport for companies wishing to serve the Orly-Heathrow route; and the need for airlines to adapt their schedules to include the new routes.

BA said it did not recognise the basis of the problems. It said there had been no difficulty in obtaining slots at Orly and that it had already made arrangements for handling passengers. With regard to landing rights at Heathrow, BA said there were established procedures for applying for slots.

Orly airport, in southern Paris, offers better connections for internal French flights than Roissy-Charles de Gaulle Airport and is more convenient for many business and residential areas of the capital.

BA is planning two flights a day between Heathrow and Orly, with two other flights being operated by TAT, its French affiliate.

Air UK, in which KLM of the Netherlands has a 14.9 per cent stake, is planning to operate between London Stansted and Orly.

The issue represents a dilemma for the French government which is seeking approval from the European Commission for a FFr20bn (£2.34bn) capital injection for Air France, the loss-making state-owned airline. Brussels has linked approval of the capital injection to the liberalisation of the French airline market.

THE LEX COLUMN

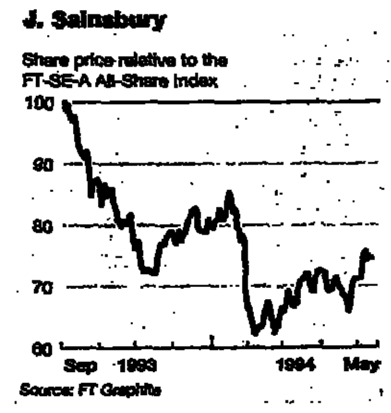
Sainsbury stacks up

The food retailers' nightmare of ever-decreasing margins has been at least postponed. Although J Sainsbury's margins were shaved last year as it responded to discounting elsewhere in the sector, the position has now stabilised. That adds weight to the argument that supermarkets have experienced a one-off downward adjustment rather than the start of a relentless squeeze. But it is too early to say that the pain is over. If a competitor breaches the uneasy truce on margins, Sainsbury will have little option but to respond.

By promising £65m annual cost savings – equivalent to 0.75 percentage points of net margin in supermarkets – the group has created some breathing space. It has also arrested the decline in sales which sent the shares into a spin following January's trading statement. Still, like for like sales growth of 0.5 per cent in the final eight weeks of the financial year is hardly a huge reward considering the cost of the essential-for-essentials campaign. Even allowing that new store openings are performing well, the market has good reasons for not chasing the shares higher.

With its non-supermarket businesses performing well and its formidable capacity to generate cash, Sainsbury has the scope to look for growth elsewhere. If margins do indeed stabilise and capital spending continues to fall, it will soon look under-geared. Adding to Shaw's in the US would make good sense, as would building on the success of Homebase. Given its critical mass in UK supermarkets, though, it will take more than piecemeal expansion to re-establish Sainsbury as a growth stock.

FT-SE Index: 3130.5 (-5.8)



Germany

The natural assumption is that yesterday's German rate cut must be been driven by developments on the foreign exchanges. It is difficult to see anything on the domestic horizon which would have suggested any particular urgency. The Bundesbank still had leeway to continue cutting its repurchase rate; M3 money supply is growing at an annualised rate of 15.4 per cent; inflation is above 3 per cent and there is a whiff of recovery in the air. Curiously the Bundesbank is now adopting an argument, which it ignored last year, that high short-term interest rates are deterring investors from moving out along the yield curve and so keeping bond yields up.

A desire to underpin the dollar after last week's intervention looks an altogether more plausible motivation. That has some relevance to the domestic scene. The strength of the D-mark and rise in bond yields since the start of the year amount to an effective monetary tightening, while a weak dollar could choke off an export-led recovery. It is less clear whether the markets will be convinced, or that investors will be keen to buy German bonds while the uncertainty in the US market continues. Perhaps a generous German rate cut will hasten the return of calm by reducing the scope of US monetary tightening required to stabilise the dollar. But that is a pretty tenuous argument, and not necessarily one for the Bundesbank to risk its anti-inflation credibility on.

Scottish Power

Scottish Power was anxious yesterday to stress that it has no intention of accumulating a cash mountain. Yet the figures speak for themselves. Gearing at end-March was a minuscule 0.4 per cent, while 1993-94 net cash inflow before financing was £118m. Unless something changes pretty soon, the group will have piled up a cash molehill by next March if not a mountain.

But chief executive Mr Ian Preston made clear he has no plans to hand back cash to shareholders through bumper dividends or share buy-backs. He thinks it will be possible to add greater value by investing cash in the business. Moreover, he would be comfortable with a 50 per cent gearing ratio – implying a willingness to take on extra debt of roughly £500m.

So how will the money be deployed? Some will be spent on building up the group's gas and telecommunications interests in Scotland. Its ambition to become an integrated utility operator has merit: gas and telecoms could to some extent piggy-back on the group's well-run electricity business. But it is hard to see such organic growth mopping up the cash inflow let alone raising gearing.

The suspicion must be that Mr Preston and his team of hungry managers are eyeing acquisitions. Since an acquisition in the gas exploration business is not on the cards, the most obvious target would be a regional electricity company. Shareholders would be sceptical about such a move, particularly if it involved a hefty bid premium. But, given the strong management, such use of their cash might just be in their interests.

Royal Bank

Direct Line's dazzling growth obscures a less satisfactory aspect to the results of Royal Bank of Scotland. Its tier 1 capital ratio has fallen steadily from 7 per cent to 6.5 per cent over the past year. That is still perfectly comfortable. Yet it does raise the question of whether the bank can generate enough earnings to finance growth and pay the dividend increases the market expects. Royal's instinctive response is that excessive capital dilutes return. The truth could be a bit more complicated.

Direct Line currently absorbs only £155m of Royal Bank's capital, which is small in relation to shareholders' funds of £1.95bn. But while it continues to grow so fast it will almost certainly need to plough back its earnings to maintain its solvency margin. Direct Line will take time to provide the group with distributable earnings. First-half growth elsewhere was heavily dependent on three factors: falling provisions which will not last indefinitely, mortgage lending where margins may come under pressure as competition develops, and acquisitions by its Citizens subsidiary in the US.

This is not to deny the validity of Royal's strategy of diversification designed to reduce volatility in its earnings while putting them on a fast upward track. It is simply that its dividend is more constrained than might appear from last year's 25 per cent increase. Market disappointment with yesterday's statement that the full year's payment would be at least 12p – an increase of 9 per cent – is an indication that expectations were running away with themselves.

Developer brings a taste of rural life to central Tokyo

By Paul Abrahams in Tokyo

Mr Shoko Sato would not look out of place in rural Japan. But this property developer was yesterday planting rice deep in the heart of Tokyo, in Ginza, one of the world's most urbanised and expensive real estate markets. Mr Sato's 850 sq metre plot, a former car park surrounded by towering office blocks, is worth about Y10bn ($96m).

The price of Japanese rice might have soared after the failure of two harvests, and land values in the city might have collapsed following the end of the "bubble economy", but downtown Tokyo is an unlikely location for rice culture.

For one thing, Mr Sato's site will not produce rice profits. When harvested in September, the paddy will yield just 20kg. Each grain will cost about Y600 to produce; one 80g bowl will cost more than Y2m ($19,459).

Mr Sato, who is also a director of an industrial incinerator business, explains: "I originally planned to build a karaoke bar complex with a small strip for growing vegetables to supply an adjoining pub. But when I went to the financial institutions I was turned down. The economy was going badly and the bottom of the karaoke market had fallen out."

He was unable to lease the land and was unwilling to sell given the state of the market. He was then approached by a charity intrigued by his idea of growing vegetables in central Tokyo.

The Japan Welfare Education Scholarship Foundation, which promotes health care for the aged, had become concerned about the impact of agrochemicals on health. Mr Hitoi Sato, the charity's managing director who is no relation to the owner, explains: "We're concerned about the decline of Japanese agriculture.

"By planting the rice here it allows us to remind people of the importance of rice in Japanese society."

Next to the paddy, the foundation has set up stalls to sell organic vegetables and free-range eggs. The foundation's charitable status allows the venture and the owner to avoid incurring taxes on the site.

The owner, Mr Sato, says he will decide after the September rice harvest what to do with the site. "I doubt it'll be a permanent agricultural field. But I know I won't build a karaoke bar, that's for sure."

Hata seeks restart of US trade talks, Page 6

Mandela gives home ministry to Buthelezi

Continued from Page 1

also went to six members of the new parliament from the National party of Mr F.W. de Klerk, who will serve as second vice-president.

As expected, Mr Derek Keys retains the finance ministry, a decision on which local equity and currency markets had been counting. His deputy will be Mr Alec Erwin, an influential white economist in the ANC. Mr Pik Botha, the veteran foreign minister, moves to mineral and energy affairs following the appointment last Friday of Mr Alfred Nzo to his former post.

Mr Roelf Meyer, the National party's chief negotiator in the tortuous constitutional talks, becomes minister for provincial affairs and constitutional development.

One surprise appointment was that of Mrs Winnie Mandela, Mr Mandela's estranged wife. Mrs Mandela becomes deputy minister for the arts and sciences. Another was the choice as deputy environment minister of General Bantu Holomisa, military ruler of the disbanded Transkei "homeland" where he retains a power base among the rural poor.

Although neither portfolio in itself carries much power, the appointments are seen as an attempt to prevent the two from becoming destabilising forces within the party.

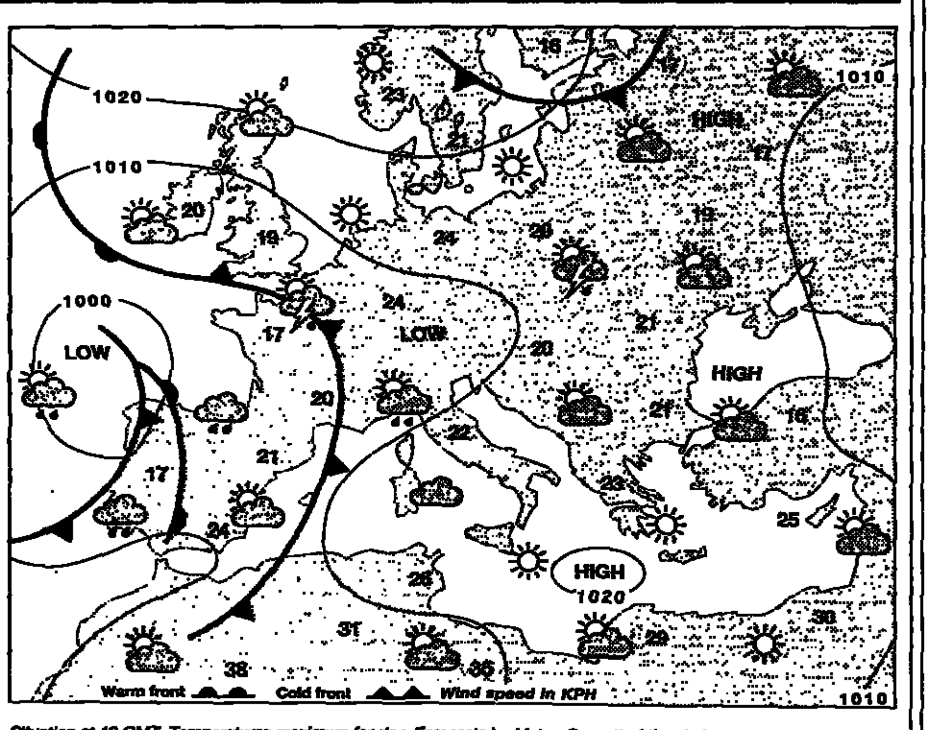
FT WEATHER GUIDE

Europe today

A weakening cold front will slow over southern Britain and northern France, resulting in mainly cloudy skies, rain and showers. The remainder of France and Britain will have sunny spells. Widely scattered thunder showers will develop in the afternoon over eastern France. The Benelux, Germany, Denmark, Italy, Greece and western Turkey will be sunny. A depression north of Portugal will bring numerous showers to most of Portugal and western Spain but the east coast of Spain will be drier with sunny spells. The Balkans will have an occasional thunder shower. Lapland will be cool with temperatures below 5C but southern Norway and Sweden will remain warm with temperatures in the 20s.

Five-day forecast

A depression over the Gulf of Biscay will influence western Europe during the next few days. Tomorrow, most of the showers will fall in south-west Europe. Thunder showers will reach the Benelux and Britain on Saturday followed by cooler conditions on Sunday. Northern Europe will become cooler and unsettled. Southern and south-east Europe will continue settled and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	cloudy	28	Caracas	fair	28	Edinburgh	fair	17	Madrid	fair	18	Rangoon	fair	32
	Celsius		Belfast	fair	23	Cardiff	shower	18	Faro	shower	18	Majorca	sun	23	Reykjavik	cloudy	11
Abu Dhabi	sun	34	Belgrade	fair	22	Casablanca	cloudy	20	Frankfurt	sun	24	Malta	sun	24	Rio	rain	22
Accra	cloudy	32	Berlin	sun	23	Chicago	sun	19	Geneva	shower	19	Manchester	fair	22	Rome	fair	21
Algiers	fair	25	Bermuda	fair	24	Cologne	sun	26	Gibraltar	shower	22	Manila	cloudy	34	S. Frsco	cloudy	21
Amsterdam	sun	24	Bogota	fair	21	D' Salaam	cloudy	27	Glasgow	fair	22	Melbourne	cloudy	14	Seoul	fair	27
Athens	fair	23	Bombay	fair	33	Dakar	fair	29	Hamburg	fair	22	Mexico City	sun	31	Singapore	shower	31
Atlanta	fair	32	Brussels	fair	25	Dallas	cloudy	29	Helsinki	fair	16	Miami	fair	31	Stockholm	fair	17
B. Aires	sun	23	Budapest	cloudy	20	Delhi	sun	42	Hong Kong	cloudy	30	Milan	fair	22	Strasbourg	thund	21
B.ham	cloudy	19	C.hagen	fair	20	Dubai	sun	35	Honolulu	fair	31	Montreal	shower	12	Sydney	fair	20
Bangkok	fair	32	Cairo	fair	34	Dublin	shower	18	Istanbul	fair	20	Moscow	fair	19	Tangier	cloudy	18
Barcelona	fair	20	Cape Town	fair	20	Dubrovnik	fair	21	Jersey	shower	15	Munich	sun	20	Tel Aviv	fair	28
									Karachi	fair	34	Nairobi	cloudy	20	Tokyo	shower	24
									Kuwait	sun	35	Naples	fair	23	Toronto	shower	13
									L. Angeles	fair	31	Nassau	fair	30	Vancouver	shower	15
									Las Palmas	fair	23	New York	rain	22	Venice	fair	21
									Lima	cloudy	23	Nice	fair	20	Vienna	shower	19
									Lisbon	shower	16	Nicosia	fair	24	Warsaw	shower	23
									London	shower	19	Oslo	fair	23	Washington	shower	23
									Lux.bourg	shower	21	Paris	thund	16	Wellington	shower	11
									Lyon	thund	19	Perth	fair	24	Winnipeg	fair	19
									Madeira	shower	22	Prague	thund	19	Zurich	fair	21

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 12 1994

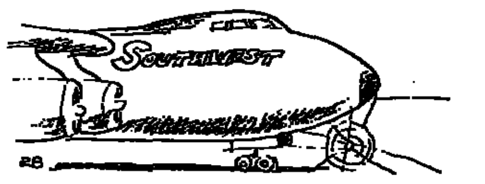
IN BRIEF

BAT drops plan to raise Indian stake

BAT, the UK tobacco and insurance group, has decided not to raise its stake in its Indian affiliate ITC to 51 per cent from 31.5 per cent. Instead, it will support ITC in its aim of becoming an Indian multinational. Page 17

Wine lake to be drained
Brussels is to offer European countries financial incentives to abandon vineyards, and also to increase the quality of wine. A regulation adopted by the European Commission aims to eliminate surplus wine output now running at about one fifth of EU production. Page 24

Investor reservations



Three of the four computer reservation systems that dominate airline ticketing in the US have announced in the last few days that they will no longer handle bookings for Southwest Airlines, the most profitable airline in the US last year. Investors fear passengers will give up trying to buy Southwest tickets and turn to competing airlines instead. Page 18

Sydney first with one-share futures
The Sydney Futures Exchange is to start trading individual share futures on Monday and will be the first significant futures market to do so. At present, the only existing individual share futures involve a handful of Swedish stocks which are traded in London. Page 17

Scottish Power fuels talk of bids
Scottish Power yesterday kicked off the UK electricity sector's preliminary results season with an 18 per cent rise in pre-tax profits. The company indicated it saw significant opportunities for expanding non-core businesses, possibly through acquisition. Page 21

Greenalls helped by acquisition
Greenalls Group was helped by the purchase of rival UK pub group Devenish to lift its interim profits by 13 per cent to £29m ($42m). Page 22

Commercial Union cuts motor exposures
Commercial Union has shed 10 per cent of its motor insurance exposures during the past 12 months, providing further evidence that rate competition is returning to the UK motor insurance market. The company reported pre-tax profits of £64m ($93m) for the first three months of 1994. Page 22

Big in oil
You need critical mass to succeed in oil exploration, according to Graham Hearne, chief executive of Enterprise Oil. His comments, justifying Enterprise's hostile bid for fellow UK explorer Lasmo, have triggered a vigorous debate on whether size is an important issue. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Continental	283	+	7
DLW	570	+	11
Goldschmidt	888	+	10.5
Veba	537	+	9.7
Falls			
Beiersdorf	970	–	15
Douglas Hldg	585	–	10.5
NEW YORK ($)			
Rises			
Caterpillar	108¼	+	1½
Micro Focus	15¼	+	3¼
Tenneco	46⅞	+	⅞
Falls			
Chrysler	45¼	–	¾
Compaq	106¾	–	2¼
Conner Per	12¾	–	1½
PARIS (FFr)			
Rises			
AGF	540	+	18
BSN	885	+	16
CCF	246.7	+	8.7
Ecco	744	+	22
Suez	325.4	+	9.4
Falls			
Euro RSCG	875	–	15
TOKYO (Yen)			
Rises			
Daimaru Inc	855	+	28
Dowa Fire	678	+	28
Koyo Seiko	798	+	26
M'bishi Est	1270	+	60
Tokyu Car	840	+	25
Falls			
Orient Corp	685	–	15

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Body Shop Intl	263½	+	15½
Brit Aerospace	498	+	23
Flextech	337	+	17
Hewitt Watling	75	+	11
Johnston Group	211	+	8
Linread	218	+	63
Linton Park	400	+	25
Micro Focus	1065	+	242
Norton Leisure	56	+	7
Ranger Oil	435	+	20
Scottish Power	378	+	11
Standard Chrtd	1269½	+	21¼
Falls			
Airsprung	235	–	10
Anglian Group	237	–	14
Babcock	325	–	23
Barratt	212	–	10
Johnson Clnrs	909	–	64
Lilliput	111	–	7
McKechnie	474	–	13
Monarch Res	274	–	15
Phonelink	370	–	28
Psion	282	–	18
RMC	852	–	22
Westbury	186	–	17

US car group reaches agreement with regulators to remedy concern by $10bn cash and stock injection

GM acts to cut pension fund deficit

By Martin Dickson in New York

General Motors yesterday took a huge step towards the reduction of its serious pension fund deficit – by far the largest of any US corporation – when it agreed with government regulators that it would inject some $10bn of cash and stock into the scheme.

Investor concern about GM's unfunded pension liabilities, which totalled some $22.3bn at the end of 1993, have hung over the group's stock in recent months, despite a sharp improvement in its operating profits due to a restructuring programme.

The group announced last November that it was considering ameliorating its pensions problem by contributing to its plans some $6bn-worth of GM class E stock held by its treasury. The E stock represents a claim on the dividend stream of Electronic Data Systems, GM's information technology subsidiary.

GM said yesterday that it had now reached an agreement with the Pension Benefit Guaranty Corporation, the government agency which insures private-sector benefit plans, to contribute 177m Class E shares, worth $6.2bn at current market prices, as well as a further $4bn in cash.

The recent rise in US interest rates – if sustained – will also sharply reduce GM's deficit, because bond rates are used to calculate the company's pension liabilities, and each 1 percentage point rise in bond yields cuts the liability by some $5bn. US 30-year Treasury bond yields have risen by well over 1 percentage point since the start of the year.

GM said yesterday that the $4bn cash contribution would come out of cashflow. Under the deal with the PBGC, which is still subject to the approval of the US Department of Labor, it must contribute at least $2bn of this at the same time as the E shares and the balance no later than September 30, 1995.

When a company contributes to its pension fund above the annual requirement minimum – as GM is doing in this case – it normally creates a credit balance which the company can use to reduce pension contributions.

Under PBGC deal, GM has agreed to defer the use of these credits for several years and will not be entirely free of the restraints until 2003.

The PBGC has agreed to release EDS from liability for GM pensions if it leaves the group, giving GM the flexibility to sell the company. The transfer of the E shares does not affect GM's 100 per cent ownership of EDS. US Trust Company of New York was named to serve as trustee of the pension fund's E stock.

Indian venture for 20,000 cars a year

By Stefan Wagstyl in New Delhi

General Motors and Hindustan Motors, an Indian motor manufacturer, have announced a $100m joint venture to make cars in India.

The 50-50 venture is a fillip for the Indian government, which is liberalising the economy and trying to attract foreign trade and investment.

GM will bring to India its Astra hatchback saloon, produced by Adam Opel, the group's German subsidiary. The partners plan to build 20,000 Astras a year, starting in the third quarter of 1995, at a Hindustan Motors plant in the western state of Gujarat. The proportion of local content in the vehicle is poised to rise to 70 per cent over three years.

Mr Greg De Yonker, executive vice-president of GM Overseas Distribution, said GM had been drawn to India by the government's economic liberalisation policies. "We hope they will continue carrying them out, as they have said they will," he said.

India has announced tough guidelines for Indian companies tapping international capital markets. Page 19

Mr CK Birla, chairman of the joint venture, said the investment was "a very positive sign of the world's confidence in India".

GM produced vehicles in India between 1928 and 1954, when it pulled out because of the country's poor economic prospects. It developed ties with Hindustan Motors through licensing agreements to make Bedford lorries and Vauxhall cars. Hindustan Motors is best-known as the maker of the Ambassador, based on the 1950s Morris Oxford.

The announcement follows a joint venture between Telco, the vehicle manufacturing affiliate of the Tata industrial group, and Daimler-Benz of Germany, to assemble up to 10,000 Mercedes Benz cars a year. On a smaller scale, Sipani Automobiles, a Bangalore-based engineering company, is assembling Montego cars from kits supplied by Rover Group of the UK.

In Bombay, Premier Automobiles, which has links with Fiat of Italy, is discussing a venture with Peugeot of France.

BAT in India, Page 17

Allianz premium income rises 20% on growth outside Germany

By David Waller in Frankfurt

Premium income at Allianz rose nearly 20 per cent to DM65.5bn ($38.3bn) last year, and is likely to carry on growing at a double digit rate this year, the Munich-based insurance giant said yesterday.

The increase was triggered mainly by strong growth outside Germany but also reflected the first-time consolidation of Deutsche Krankenversicherung, Allianz's healthcare insurance subsidiary.

The increase in premium income will be matched by robust growth in net earnings for 1993, Allianz said in documentation published yesterday in connection with its planned DM1.56bn rights issue.

Earnings for 1994 are also likely to increase, although the insurer said it was too early to make detailed predictions. However, the Los Angeles earthquake in January is likely to cost the group DM140m.

Although full details of 1993 profits will not be disclosed until later this year, analysts suggest that net earnings will climb well above DM1bn after net earnings of DM858m in the previous year.

Losses from "technical insurance" are also expected to fall in 1993, Allianz said. These losses, which amounted to DM1.68bn in 1992, arise on core insurance business – premium income netted off against payments to settle insurance claims – before taking into account investment and other income.

The figures are better than Allianz's earlier estimates of a 14 per cent increase in 1993 premium income. Premium income outside Germany grew 21.3 per cent to DM31.1bn while domestic income climbed 18.2 per cent to DM34.4bn. Allianz attributed the improved income and earnings to higher premium rates in the industrial sector and reduced losses at Deutsche Kreditversicherung, the former state-owned insurance monopoly in eastern Germany which Allianz acquired in 1990. Favourable currency movements also helped, and Allianz highlighted a surge of sales of annuity policies in north America.

The DM1.56bn 1-for-15 rights issue, announced at the end of last month, will help the insurer prepare for the imminent single European market in insurance services.

Charges hit retailer

Tony Andrews

Mr David Sainsbury, chairman of J Sainsbury, the UK's largest grocery retailer, reported a pre-tax profit of £368.8m, halved from £732.8m after charges and reorganisation costs. Page 16

Martin Dickson on a 'predator' with a difference

Lens flexes to focus on UK's underperformers

British companies be warned: Mr Robert Monks, a prominent member of the US shareholder rights movement and scourge of poorly performing American businesses, may cross the Atlantic in search of UK targets.

Mr Monks runs Lens Inc, a fund management group he set up two years ago, which takes stakes in US companies with bad financial track records and then agitates for change, hoping the improvement will lift the company's share price.

Mr Monks hopes to do the same in the UK, in the first significant expansion of this type of fund outside the US. But he says he needs to find a British investment partner who can give him a good feel for local conditions. "A lot of our comfort here (in the US) is that we really do understand the idiom . . . which in the UK we patently do not," says Mr Monks, a Harvard-educated lawyer who also studied at Oxford and helped foundthe US corporate governance movement.

He is analysing UK companies, plans a reconnaissance trip in July, and may take a stake in a British group by the year's end.

The US corporate governance movement, dominated by large US public pension plans such as California's Calpers, pressures companies to establish structures to make managements more accountable to shareholders - for example, by ensuring that a majority of directors are from outside the business. Some funds also try to establish a dialogue with poorly performing companies on possible strategic change.

Lens is unlike other governance activists. First, it *actively* seeks out underperforming companies. Many of the large public pension funds acquire stakes in underperformers passively, as they are indexed funds whose investments replicate the components of important stock market indices.

Second, whereas the public pension funds tend to be discreet, Lens is confrontational if dialogue attempts are rebuffed. "We are willing to be loud," says Ms Nell Minow, a partner in Lens who is also a force in the corporate governance movement. Lens may spearhead campaigns against companies which conservative US funds shy away from.

Lens consequently has an influence disproportionate to its tiny size. The fund has only $15m of money under management, mostly belonging to Mr Monks and Ms Minow, having failed to attract large institutional investors when first established. Even Calpers, a long-time ally in the corporate governance movement, turned Lens down, arguing that it was itself pursuing Lens' strategy. Mr Monks argues that public pension funds like Calpers, which ultimately report to political masters, are wary of Lens' confrontational reputation. "The risk-reward ratio for public servants inhibits them from doing something that involves the possibility of political embarrassment."

Mr Monks nevertheless has a strong track record at fomenting corporate change. He rocked the board of Sears, Roebuck by running as an independent director - a campaign which crystallised investor unhappiness with the company and led to a shake-up of its retailing side and the spin-off of financial services.

Sears was one of four companies comprising Lens' initial portfolio. The others - American Express, Eastman Kodak and Westinghouse Electric - have all ousted their chief executives and begun strategy changes.

The rise in most of these companies' shares meant that, in its first year, Lens had a return on its portfolio of 26.1 per cent, some 18.9 per cent better than the Standard & Poors 500. Mr Monks says that so far this year fund's total return is about 10 per cent.

Mr Monks is focussing on Stone & Webster, where he holds 1 per cent of the stock. He argues the company's sharp decline in profits during the past five years relates to poor management and corporate governance structure.

The company's own employee benefit plan holds about 37 per cent of the stock and a further 12 per cent of its capital is in restricted stock in the hands of employees. The result, Mr Monks argues, is a business being being run as a private company despite its public shareholders. He suggests management should consider buying out shareholders and taking it fully private.

Stone & Webster acknowledges its results have not been satisfactory, but says no helpful ideas have come from Lens.

Mr Monks uses Lens as an agenda-setter, highlighting corporate governance issues which he considers of general importance. In the Stone & Webster campaign he wants to point up the role of employee share schemes in protecting under-performing companies and what he calls "an appalling unspoken conflict of interest" among Wall Street firms.

He argues that large US banks and security houses which act as fund trustees are unlikely to act as proper fiduciaries of these shares - for example, by voting against poor managements - as they, or other members of the Wall Street investment banking club, are likely to have business links with the underperforming companies. "The great and the good (of Wall Street) are simply not going to ever put themselves in a position where they become unclubbable," he says.

If he finds the right British partner, the City of London might soon be listening to equally forthright judgements.

Shell earns $1.3bn in first quarter

By Robert Corzine

Shell Transport and Trading, the world's largest integrated oil company, yesterday reported steady first-quarter earnings of £949m ($1.3bn) as refining and marketing offset a steep fall in the oil price.

The earnings, calculated on a current cost of supplies basis, were mid-range of analysts' forecasts. Shell shares closed down a penny at 741p. Earnings per share were 10.3p, compared with 10.1p last time.

The £2.1bn cash flow from operations was flat compared with last year. The financial strength of Shell was underscored by the £7.6bn held in cash and short-term securities. Total debt was £7.9bn, with gearing of 17.6 per cent.

A 13 per cent rise in downstream earnings to £488m (£431m) was attributed to higher sales volumes and lower costs. The company said world demand for oil products is stronger than last year. Oil product sales rose worldwide, though downstream margins in Asia and Europe deteriorated compared with the same period last year.

A 23 per cent fall in the crude oil price caused earnings from exploration and production to drop by 27 per cent, to £425m (£584m). But average production of 1.83m barrels a day was 5.5 per cent up, due largely to new fields coming onstream in the UK North Sea.

Shell's first-quarter earnings are usually bolstered by high seasonal demand for natural gas, a market segment in which the company has a strong position. First-quarter sales volumes rose by 3.3 per cent to 7.17bn cubic feet a day.

Chemicals returned to profit after three years of losses. First-quarter earnings were £56m, compared with a £22m loss last time. The company attributed much of the profitability to restructuring initiatives, but it also confirmed that demand for chemicals is recovering as growth returns to western economies.

Metsä-Rauma to build new FM3bn pulp mill

By Christopher Brown-Humes in Stockholm

Finland's Metsä-Rauma yesterday gave the go-ahead for the construction of a FM3bn ($524m) pulp mill at Rauma in the west of the country. It will be one of the biggest investments in the country's pulp and paper sector.

The plant, which will have a capacity to produce 500,000 tonnes a year of chlorine-free softwood pulp, is expected to start production in the spring of 1996.

United Paper Mills (UPM) and Metsä-Serla, two of Finland's leading pulp and paper groups, are the biggest shareholders in Metsä-Rauma, with stakes of 45.6 per cent and 27.8 per cent respectively. A further 20.6 per cent stake will be held by Metsäliitto, a wood procurement co-operative..

Metsä-Rauma's owners will finance one-third of the project. The balance will funded through a loan, for which the Finnish Guarantee Board has provided a FM1.2bn guarantee. The lead manager is Postipankki, the Finnish state-owned bank.

Optimism about the pulp market has risen rapidly since the start of the year, with softwood pulp prices surging from $380 a tonne last November to $560. Some commentators believe the price could reach $650 a tonne by the year-end.

Mr Juhani Ahava, Metsä-Rauma chairman, said the mill's main owners would take about half the plant's output. UPM will use most of its share at its Rauma paper mill, while Metsä-Serla will supply its Kirkniemi magazine paper plant. Much of the remaining production is expected to be sold in Europe as a reinforcing agent in recycled paper production.

The mill is also being built because Metsäliitto wants to have an outlet for its members' wood in the Rauma region, where two pulp mills have been closed.

The mill will break even after depreciation and interest with a pulp price of below $500 per tonne. A price of $550 per tonne will give a return on capital of around 10 per cent, according to one estimate. Analysts said the mill should come on stream near the next peak in the pulp cycle. They noted that environmentally friendly chlorine-free pulp would be a selling advantage in certain European markets - particularly Germany.

Bank refuses to exonerate lenders to Schneider

By David Waller

Deutsche Bank has refused to exonerate formally the directors of the mortgage banking subsidiary which conducted the bulk of its lending to the Jürgen Schneider property group. Schneider collapsed last month with debts of more than DM5bn ($2.1bn), owing DM1.16bn to Deutsche Bank alone.

The process of what, under German law, is known as "entlastung" – approval or exoneration of individual directors – is normally a formality by which shareholders signal their approval for the conduct of directors during the previous year. It is only under extreme circumstances that approval is not granted.

Deutsche Bank, which owns more than 90 per cent of the shares in Deutsche Centralbodenkreditbank, a mortgage subsidiary which lent DM998m to Schneider, said yesterday it was inappropriate to grant approval to board directors while investigations into the bank's role in the Schneider affair were continuing.

The bank is subject to three separate investigations to assess how it came to be allegedly defrauded by Mr Jürgen Schneider, the property entrepreneur who fled Germany last month and is believed to have taken hundreds of millions of D-Marks from his company's resources.

A warrant has been issued for Mr Schneider's arrest, but his whereabouts are unknown.

One external investigation is being carried out by the BAK, the federal banking authority. It is examining the lending procedures of Deutsche and other German banks which lent money to the Schneider group.

Separately, Deutsche's credit department is conducting its own internal investigation into the lending, and the bank has employed a firm of chartered accountants to conduct an independent enquiry.

The refusal to grant approval to Centralbodenkredit directors affects both the subsidiary's management and boards.

Standing tall in a mini-market

Retailer Fotex is hard to ignore in Hungary, writes Nicholas Denton

Fotex, Hungary's biggest retail group, will next week begin drawing on cash from eastern Europe's largest international equity offering.

With investor enthusiasm for emerging markets dampened, the company and CS First Boston, its advisers, could only raise $70m, $30m short of the planned sum. This is, nevertheless, sufficient to fuel Fotex's rapid expansion for up to two years.

Fotex, a home-grown private enterprise, retails household goods, cosmetics, furniture, optical products and photographic services. The capital increase will finance its entry into yet another segment.

The group has agreed to pay $30m to acquire 99.5 per cent of Keravill, Hungary's largest consumer electronics and appliance chain. Fotex is also making a tentative expansion of its its cash-and-carry DAK chain, with a plan to increase the number of stores from 11 to 40, at a cost of up to $15m.

Acquisitions like that of Keravill, and organic growth, are expected to double turnover and net profits, which in 1993 were Ft15.8bn ($154m) and Ft945m respectively. By international standards, it is not much, but Fotex will account for some 4 per cent of non-food retail sales in Hungary this year.

The domination by one conglomerate in five retail segments would run into problems in a western economy. However, Mr Gabor Varszegi, chief executive and principal shareholder of Fotex, plays down his strength in the marketplace. But he does admit, with more than a touch of pride: "At the end of the day, if Max Factor and Revlon want to be successful [in Hungary] they have to deal with us."

Fotex's growth, however, raises the question: how long before the group bumps its head against the ceiling?

Hungary's competition office can stop acquisitions with potential to give a combined market share of 30 per cent or more. However, the monopoly watchdog has proved toothless. Fotex's latest prospectus to investors says the competition office has, legally, left it too late to challenge any of the group's acquisitions.

In any case, there remain virgin retail sectors for Fotex to breach. Mr Varszegi expects turnover of Ft10bn over three years from its role as exclusive distributor of mobile telecommunications services provided by Westel 900, the joint venture with US West, the regional Bell operating company.

Fotex is thinking of introducing non-perishable food to its DAK stores, and Mr Varszegi also mentions stationery as another retail possibility.

The privatisation authorities may be increasingly reluctant to feed Fotex's retail weight, but plenty of other openings for acquisition remain. Excessive reliance on debt financing and economic recession have combined to put many private companies into receivership, and on to the market.

And Mr Varszegi is a natural stop for sellers. "You wouldn't believe some of the things that he's been offered," says an investment banker close to the group.

Fotex has edged out of retailing to acquire manufacturers and wholesalers with the aim of vertical integration. The group has, for instance, taken over Balaton Butorgyar, a furniture producer, to ensure security of supply for Domus, Fotex's chain of furniture stores.

However, diversification has its limits. Institutional investors hold most of the 76 per cent of Fotex not in Mr Varszegi's hands, and they constantly advertise the virtues of focus. Mr Varszegi, who is widely believed to be eastern Europe's richest individual, has invested in property, a brokerage house and other areas. But this dabbling has gone, not through Fotex, but via his private Panama-registered company, Blackburn International.

Although expansion into neighbouring countries would be one outlet for Mr Varszegi's acquisitive drive, the Fotex chief executive says he has investigated the possibilities and remains sceptical. "[The rest of] eastern Europe is underdeveloped compared with Hungary. Fotex is too sophisticated a company."

He makes an exception for the Czech Republic, but says the policy of privatising retail outlets one by one has complicated matters. He believes it will be between five and eight years before other eastern European countries are sufficiently well-regulated to allow a serious commitment.

Even if Fotex is cramped in Hungary, economic recovery offers room for growth. Fotex has prospered in spite of a four-year recession that has driven gross domestic product down by more than 20 per cent. The group is now better-placed than anyone to benefit from a revival in Hungarian consumer spending, says an investment banker.

He compares Mr Varszegi to the retail entrepreneurs who rose on the back of the UK's consumer spending expansion in the 1980s. Most failed when boom turned to bust. Mr Varszegi must hope that the parallel does not extend so far.

Enso firm on Berghuizer bid

By Ronald van de Krol in Amsterdam

Enso-Gutzeit, the Finnish forest products group, said yesterday it had no plans to raise its bid for the outstanding shares in Berghuizer Papierfabriek, its loss-making Dutch paper subsidiary.

The news came in spite of criticism from some shareholders that its offer of Fl 50 per share was too low.

The Finnish company said the takeover was the best way to safeguard Berghuizer's future. Berghuizer was expected to post further losses in 1994 and 1995, and there was no likelihood of a resumption of dividend payments in the "foreseeable" future, it said.

"Enso believes that it is offering a generous strategic premium over the net present value of the underlying cash-flow potential of the shares, and is not prepared to improve its offer," it said.

Mr Magnus Diesen, Enso's vice-president of corporate planning, said in Amsterdam that the Fl 50 per share on offer was "substantially" higher than Berghuizer's expected cash flow potential, but he declined to give details of Enso's calculations.

The offer expires in mid-June. Criticism of the bid has centred on Berghuizer's book value, which is estimated at Fl 86 per share. Some shareholders, including US pension funds, have called for the bid to be raised above book value. Yesterday Mr Diesen said: "Book value is not an adequate measure of the value of the company."

Berghuizer was trading at Fl 47 when Enso unveiled its bid plans on April 18, but expectations of a possible increase in the offer have lifted the shares to just below Fl 55. Yesterday, however, they fell by more than 5 per cent to close at Fl 52.00 from Fl 54.90 on Tuesday.

Mr Diesen said Enso had not set any minimum acceptance level and would pay Fl 50 for any shares tendered. The illiquidity of Berghuizer's shares in Amsterdam meant that Fl 50 was the best possible exit price for large shareholders, he said.

Aegon net advances 13.2% to Fl 260m

By Ronald van de Krol

Aegon, the second-largest Dutch insurer, said net profit rose by 13.2 per cent to Fl 260.3m ($139m) in the first quarter from Fl 229.9m in the same quarter of last year.

Premium revenues jumped by nearly 50 per cent to Fl 4.59bn from Fl 3.13bn, reflecting the first-time inclusion of results from Scottish Equitable of the UK and from Diversified Investment Advisors of the US.

Total revenue, which includes realised and unrealised gains and losses from investments, rose by a more modest 3.1 per cent to Fl 5.09bn. "Investment income for the risk of policy holders is lower than last year due to unrealised losses in line with the downward trend of international financial markets," the company said.

Aegon said results in the Netherlands showed a "clear" rise while those in the US, the group's second biggest market, saw strong growth.

Sainsbury shrugs off gloom

By Neil Buckley in London

J. Sainsbury, the UK's largest grocery retailer, shrugged off the gloom that beset its January trading statement to announce an increase in underlying profits, and a stabilisation of gross margins after the price battles of recent months.

Its reported pre-tax profit, on an FRS 3 basis, was halved from £732.8m to £368.8m ($549m), after charges of £38.7m from the depreciation of property; a £341.5m property write-down; and £28m reorganisation and redundancy costs.

Excluding charges pre-tax profits would have increased 6 per cent to £777m – including a £7m property gain – beating Sainsbury's forecast in January of a "small increase".

Mr David Sainsbury, chairman, said gross margins fell 0.4 percentage points in the second half – a result of the "Essential for essentials" campaign, involving price cuts on 300 own-label products.

He added: "Although the competitive environment is still very tough, we currently expect gross margins to be maintained at around their present level."

The stockmarket was unconvinced, however, and Sainsbury's shares fell 3p to 388½p.

Group sales for the year to March 12 rose 9.3 per cent to £11.2bn. Sales in Sainsbury's supermarkets increased 7.1 per cent, with new space contributing 6.5 percentage points. After inflation of 1.5 per cent, like-for-like sales fell 0.9 per cent overall. Operating profits grew only 2.3 per cent to £732.2m, reflecting the lower margins.

The Savacentre hypermarkets lifted sales 8.1 per cent to £659m, and trading profits 11.8 per cent to £40.6m. Sales at Sainsbury's Homebase, the DIY chain, increased 16 per cent to £328m, with operating profits up 34.3 per cent to £23.9m.

In the US, sales at Shaws supermarkets grew 6.7 per cent to $1.9bn (£1.3bn) and profits almost 50 per cent to $46.5m.

Earnings per share, after exceptionals, fell from 28.5p to 8p, but the final dividend increased from 7.3p to 7.6p, lifting the total 6 per cent to 10.6p.

Lex, Page 14

Direct Line helps boost Royal Bank

Rapid growth in mortgage lending and sales of household insurance policies by its subsidiary Direct Line helped Royal Bank of Scotland to double interim pre-tax profits, to £201m ($281.4m) against £89m, write John Gapper and Peter Montagnon in London.

The bank tripled earnings per share to 13.5p, and raised its interim dividend by 33 per cent to 4p. The shares, however, closed 12.5p down at 428p after it said the rise was partly to re-balance interim and final dividends. Mr George Mathewson, chief executive, confirmed the bank was interested in acquiring a building society.

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President of Sanyo Securities to step down

By Emiko Terazono in Tokyo

Sanyo Securities, the financially-troubled Japanese broker, yesterday said Mr Yoichi Tsuchiya, president, was likely to step down next month to take an advisory post.

The move comes as the broker is struggling to finalise its restructuring programme with its creditor banks and Nomura Securities, its largest shareholder, due to mounting debts and bad loans held by the broker's non-bank financial affiliates.

While the company denied that Mr Tsuchiya, the thrust behind Sanyo's aggressive expansion during the late 1980s, was resigning to take responsibility for the financial problems, its creditors and shareholders had anticipated such a move.

The burst of the asset "bubble" in the 1980s led to mounting bad loans at Sanyo's financial subsidiaries, and it had to borrow large amounts. After months of negotiations with its leading creditors – Bank of Tokyo, Daiwa Bank, Nippon Credit Bank and Nomura – officials were forced last March to announce a restructuring plan.

The plan, expected to be finalised in the next few weeks, includes an Y80bn ($769m) write-off over the next nine years, a reduction of interest rates from its main creditors to 1.25 per cent, and a third-party share allotment of Y20bn to the three creditors and Nomura.

Record profits for Aoyama Trading

By Emiko Terazono

Aoyama Trading, the Japanese men's apparel retailer, reported record profits for the year ended last March after expanding its sales network.

The company, which started the discount boom in men's suits, said non-consolidated pre-tax profits rose 1.6 per cent to Y30.68bn ($298m), on a 20.8 per cent rise in sales to Y182.3bn. After-tax profits rose 4.1 per cent to Y15.9bn. The annual dividend will rise by Y10 to Y40.

In spite of the record figure, it was the first time since 1987 that Aoyama had seen only single-digit profit growth. Increasing competition and saturation of the discount men's suit market has affected business.

Insurers set to raise premiums

By Emiko Terazono

Japan's fire and marine insurance groups, faced with higher insurance payments due to an increase in typhoon damages, are likely to raise fire insurance premiums this year. It will be the first increase in this sector since 1948.

The Fire and Marine Insurance Rating Association of Japan, an insurance industry group, has applied for finance ministry approval to raise fire insurance premiums by an average 7.74 per cent for houses and 5.86 per cent for offices.

After the spate of typhoons in 1991, insurance payments rose three-fold to Y650bn ($6.3bn).

BAT drops Indian subsidiary plan

By Kunal Bose in Calcutta

BAT Industries, the UK tobacco and insurance group, has dropped the idea of turning ITC, its Indian affiliate, into a subsidiary by raising its stake to 51 per cent.

Instead, BAT will support ITC in its aim of becoming an Indian multinational.

During a recent visit to London, Mr K.L. Chugh, ITC chairman, received an assurance from BAT that the UK group would maintain its stake at 31.5 per cent.

The assurance appears to be the central element of an agreement designed to defuse tensions between BAT and ITC. Managers in the Indian group had feared that after many years of independence, their freedom might be curbed by a re-imposition of control from London.

BAT also seems to have taken account of concerns in the Indian government that a leading Indian company with the potential to become a multinational should lose some of its independence.

"Discussions are at an early stage", BAT said. "What we are trying to do is look for a way that helps ITC develop as an Indian multinational, but helps us develop our interests in tobacco and financial services in India".

Increasing its stakes in the financial services businesses would be an obvious first step for BAT. The negotiations are being handled personally by Mr Martin Broughton, BAT's chief executive.

ITC Classic, an ITC affiliate, has applied for a licence to start a banking business. ITC is also seeking to break into insurance through an independent company, as soon as the participation of the private sector in insurance is allowed.

"BAT is most welcome to have as much shareholding in the bank and insurance companies as it wants," said Mr Chugh.

Mr Chugh also said he had an assurance from BAT that it would add value to ITC's tobacco and financial services businesses which are BAT's core activities.

At the same time, ITC which has a significant presence in paper, agri-business, hotels and global trading, will develop these areas further.

According to Mr Chugh, ITC Bhadrachalam and ITC Hotels, the two group companies, will be making Euroissues of $50m each to develop further the paper and hotel businesses.

While BAT has agreed to maintain the status quo, ITC will not be adding any new business to its already large portfolio.

Mr Chugh said: "Our objective is to become a multinational company. We are happy that BAT is supportive of our ambition. Dr Manmohan Singh [Indian finance minister] wants 100 multinationals by the turn of the century. We want to be among the first."

Sydney to trade share futures

Contracts on NAB, News Corp and BHP offered, writes Nikki Tait

Individual share futures will start trading on the Sydney Futures Exchange on Monday, following a decision yesterday by Mr Michael Lavarch, Australia's attorney-general.

The SFE will be the first significant futures market to trade futures contracts on individual stocks – in this case, National Australia Bank (NAB), Mr Rupert Murdoch's News Corporation, and Broken Hill Proprietary, the steel and resources group.

At present, the only existing individual share futures involve a handful of Swedish stocks which are traded in London. Such contracts are specifically prohibited in the US, largely because of price manipulation concerns.

But even in Australia, the SFE's move is not without controversy. Some of the companies, whose equity is involved in the new contracts, are expressing reservations about the scheme, and a local war is brewing between the SFE and the Australian Stock Exchange over who should run this type of derivatives market.

Stung by the SFE's move, the ASX says it plans to announce its own equity-derivatives initiative next week – and that, unlike the SFE, it is considering a product which could be settled into scrip, not cash. This would mean an investor could acquire the underlying physical stock via the futures market, something which the SFE contract structure specifically rules out.

The shares involved in the SFE contracts belong to the nation's three largest quoted companies in terms of market capitalisation, and are among the most actively traded on the physical market.

The SFE claims that the new contracts will provide professional investors with a convenient, low-cost means of gaining exposure to Australia's benchmark stocks, as well as increasing trading opportunities through the leverage involved in share futures.

It points out that brokerage costs will be significantly lower for the same underlying bundle of shares, and that the futures can be traded for 18 hours a day – well into US and European time-zones, when when the ASX is closed.

If all goes well, the SFE adds that a range of other stocks could be introduced in the near future. However, Mr Les Hosking, SFE chief executive, suggests that liquidity considerations will probably limit the eventual number to around ten. Western Mining Corporation, whose shares tend to be influenced by metal price movements, is a favoured early possibility.

But not all companies are keen on the new moves. BHP, for example, acknowledges that the cash settlement arrangements mean that the new contracts do not pose takeover-related concerns. However, the resource group points out that its own investor relations efforts are directed at attracting an informed shareholder base, and says that the future contracts "won't do us a lot of good".

While reluctant to invoke the "market manipulation" spectre, BHP cites two potential problems.

First, there is the potential increase in the volatility of BHP shares (assuming the futures contracts are well-used) and the difficulty of explaining share price movements to management and shareholders.

Second, some professional investors may prefer a leveraged play on the BHP share price via the futures market, and be less likely to support the physical stock. That said, the company acknowledges that many futures strategies will also require some ownership of the underlying stock.

If companies have qualms, the ASX is even more doubtful. In the 1980s, before the country's regional exchanges were melded into one national entity, the Melbourne exchange introduced equity futures. Traded on the Australian Financial Futures Market, these also involved cash settlement, but eventually the AFFM petered out.

Now the ASX's derivatives division faces the galling sight of the SFE stealing the march. In riposte, it says its competing initiative will have some significantly differences – notably in terms of clearing arrangements, and offering settlement into scrip rather than cash. "The product we are looking at would have the potential for delivery of the underlying security," the ASX says.

Finally, there is the question of how much interest will be shown by the investment community generally in the new products. Mr Hosking says the SFE's marketing efforts have had a good reception, and claims "strong interest" from London.

BHP has found considerable diversity in its shareholders' views. Regulators, meanwhile, are watching with some scepticism – perhaps hopeful that the new contracts will not put their mettle to the test.

SA Breweries lifts earnings to R943m

By Mark Suzman in Johannesburg

South African Breweries, the country's largest consumer industries company, increased attributable earnings by 14 per cent to R943m ($190.5m) from R825m in the year to March.

A solid performance from the group's beer interests, which together make SAB the seventh largest brewing company in the world, provided most of the profit. Net earnings were R707m, an improvement of 14 per cent over last year's figure of R541m.

The group's other large industries, including retail group Edgars and industrial interests Lion Match and Plate Glass Shatterprufe Industries, contributed R236m to attributable earnings, a rise of 15 per cent on last year.

Turnover increased to R25.45bn, a rise of 12 per cent from last year's R21.78bn. A final dividend of 116 cents was announced, bringing the full year dividend to 155 cents, a rise of 13 per cent.

Cash utilised in expanding operations and net acquisitions rose to R921m from R574m, reflecting the company's growing operations in Hungary and Tanzania.

Mr Malcolm Wyman, group corporate finance director, said SAB would continue to investigate offshore expansion in "mass market developing countries" particularly in sub-Saharan Africa and eastern Europe.

A decline in net working capital of R230m compared with last year's increase of R17m, but Mr Wyman said this was largely a result of last year's very favourable year end position and was unlikely to be repeated.

Mr Wyman said that continued weak consumer spending, combined with widespread pre-election violence, had dampened growth over the past year, but that SAB was confident, given the success of the elections and the new economic upturn, further real growth in earnings and dividends would be achieved over the next year.

He pointed to a record R1.9bn in investment spending as a good indication of the company's commitment to local development and said that a further R2bn had already been allocated for the next financial year.

Parker & Parsley bids for Bridge Oil

By Nikki Tait in Sydney

Parker & Parsley, the Texas-based oil independent which last year acquired Prudential Securities' troubled energy partnerships in the US, yesterday launched an uninvited A$294m (US$211.5m) bid for Bridge Oil, the Sydney-based oil and gas company.

P&P said it would offer 70 cents a share in cash for Bridge. It claimed that this was a "fair price", representing a 35 per cent premium over the 30-day average trading price for Bridge shares before P&P started to amass a stake in late April.

P&P said yesterday that its stake now amounted to 4.2 per cent of its target's equity.

Bridge issued a brief statement, advising investors not to sell their shares, and promising further advice later.

Earlier this month, Mr Robert Strauss, Bridge's chairman, told shareholders at the annual meeting that "recognition of [the] proper value" of Bridge's US operations would take the group's net asset backing to more than A$1 a share.

Some analysts suggested that the current price offered for Bridge shares was likely to be an opening shot.

However, P&P's chairman, Mr Scott Sheffield, maintained yesterday that: "It is our intention that this is a final price – we have no intention of increasing our offer." Bridge shares closed at 72 cents in Sydney.

Bridge's exploration and production operations are split between Australia and south-east Asia, and the US – with the Australian activities centred on the Cooper, Surat and Carnavon Basins, and the US interests spanning five states.

Bridge had planned to float its US business on the stock market there at the beginning of this year, but temporarily abandoned the plan because of weak crude oil prices. It has said the scheme would be re-examined later this year.

Net profits in 1993 fell from A$39.4m to A$27.6m.

Parker & Parsley, meanwhile, has been growing rapidly through acquisitions – often of troubled assets – during the past seven years. However, the bid for Bridge represents its first major move outside the US.

CONTRACTS & TENDERS

LEGAL NOTICES

No. 002013 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
CRESTON LAND & ESTATES PLC
AND IN THE MATTER OF THE
COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th April 1994 confirming the reduction of the above-named Company's share premium account by £1,061,000 was registered by the Registrar of Companies on 28th April 1994.
DATED this 4th day of May 1994.
Frere Cholmeley Bischoff
4 John Carpenter Street
London EC4Y 0NH
Ref: SHI/PLW
Solicitors for the above-named Company

NOTICE OF AN ADJOURNED MEETING

of the holders of those of the

U.S. $50,000,000

Retractable Bonds due 1997

of the Company presently outstanding (namely U.S. $941,000) (the "Bondholders" and the "Bonds" respectively)

NOTICE IS HEREBY GIVEN that the Meeting of the Bondholders convened by the Company for 11th May, 1994 by the Notice dated 14th April, 1994 published in the Financial Times, the Luxemburger Wort and l'Echo de la Bourse was adjourned through lack of a quorum and that the adjourned Meeting of the Bondholders will be held at the offices of Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA on Friday, 27th May, 1994 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 1st December, 1981 made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") as trustee for the Bondholders and constituting the Bonds.

EXTRAORDINARY RESOLUTION

THAT this Meeting of the holders of those of the U.S. $50,000,000 Retractable Bonds due 1997 of OKG Aktiebolag presently outstanding (the "Bonds" and the "Company" respectively) constituted by the Trust Deed dated 1st December, 1981 (the "Trust Deed") made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders"), in accordance with paragraph 18 of the Third Schedule to the Trust Deed and by virtue of all other powers conferred on a Meeting of the Bondholders, hereby:

(A) assents to the following modification of the provisions contained in the Trust Deed proposed by the Company, namely the deletion of sub-paragraph (I) of paragraph 18 of the Third Schedule to the Trust Deed and the substitution therefor of the following new sub-paragraph:

"(I) Power to sanction any scheme or proposal for the exchange or sale of the Bonds for, or the conversion of the Bonds into, or the cancellation of the Bonds in consideration of, bonds, notes, shares, stocks, debentures, debenture stock and/or other obligations and/or securities of the Company or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such bonds, notes, shares, stocks, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.",

to the intent that such modification to the Trust Deed shall have immediate effect without further formality; and

(B) (1) sanctions the compulsory sale to the Company on the date (the "Relevant Date") which is the seventh day after the date on which this Resolution is passed of all of the Bonds in consideration of the payment by the Company to the Bondholders of:

(a) U.S.$1,000 in cash for each Bond of U.S.$1,000 principal amount; and

(b) interest at the rate of 5.80 per cent. per annum on each Bond accrued from (and including) 1st December, 1993 up to (but excluding) the Relevant Date,

and the implementation of such compulsory sale, all as more particularly described in the Notice of Meeting of the Bondholders dated 14th April, 1994 (a copy of which has been produced to this Meeting and initialled by the Chairman hereof for the purposes of identification);

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the Coupons appertaining to the Bonds against the Company involved in or resulting from the implementation of the compulsory sale referred to in paragraph (B)(1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the implementation of the compulsory sale referred to in paragraph (B)(1) of this Resolution and to do all such acts, deeds and things as may, in the opinion of the Trustee, be required to give effect thereto.

The Company wishes to purchase the Bonds, and to be assured that none of the Bonds will remain outstanding following such purchase, because (a) the costs to the Company of servicing the issue, having regard to the small percentage of the Bonds originally issued which remain outstanding, have become disproportionately expensive for the Company and (b) certain provisions of the Bonds which were appropriate at the time of their issue are no longer (in the view of the Company) appropriate to the Company.

The purpose of the Extraordinary Resolution set out above is to permit and sanction the implementation of the proposed compulsory sale.

Payment of the consideration under the proposed compulsory sale will, if it is sanctioned, be made against surrender of Bonds together with all Coupons which are unmatured at the Relevant Date (as defined in paragraph (B)(1) of the Extraordinary Resolution) at any specified office of any of the Paying Agents listed below. If any Bond is surrendered without all such unmatured Coupons, the amount of any such missing unmatured Coupon will be deducted from the amount due for payment. Each amount so deducted will be paid against surrender of the relative missing Coupon at any time following such deduction but before the expiry of the period of five years from the date on which the Coupon would have become due.

All such payments will be made in U.S. dollars at the specified office of the Paying Agent in New York City or, at the option of the holder, at any specified office of any Paying Agent by U.S. dollar cheque drawn on, or transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, subject in all cases to any fiscal or other laws and regulations applicable thereto but, in the case of interest, without prejudice to the provisions described in Condition 6 of the Terms and Conditions of the Bonds. Bondholders should be aware that there may be adverse tax consequences in the event that Bonds or Coupons are presented at the specified office of the Paying Agent in New York City. The interest rate of 5.80 per cent. per annum referred to in the Extraordinary Resolution is that accruing on the Bonds pursuant to Condition 3 from 1st December, 1993 throughout the remaining life of the Bonds.

On and after the Relevant Date, the Bonds shall cease to be of value for any purpose other than for the purpose of surrender for payment as referred to above and shall cease to be valid for such purpose and shall become void unless so surrendered within the period of 10 years from the Relevant Date.

The Company and its financial advisers, Hambros Bank Limited, consider that the proposed compulsory sale is fair and offers reasonable value and, accordingly, the Company recommends all Bondholders to vote in favour of the Extraordinary Resolution.

The attention of Bondholders is particularly drawn to the quorum required for the adjourned Meeting which is set out in paragraph 3 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Bonds) are available for inspection by Bondholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposed compulsory sale but has authorised it to be stated that, on the basis of the information set out herein, it has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the adjourned Meeting in person must produce at the adjourned Meeting either the Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.

   A Bondholder not wishing to attend and vote at the adjourned Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the adjourned Meeting in accordance with his instructions.

   Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Cedel S.A. or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System or any other person approved by such Paying Agent, for the purpose of obtaining voting certificates or, until the time being 48 hours before the time appointed for holding the adjourned Meeting (or, if applicable, any further adjourned such Meeting), but not thereafter, giving voting instructions in respect of the relative Meeting. Any Bond(s) so deposited or held will be released at the conclusion of the adjourned Meeting (or, if applicable, any further adjourned such Meeting) or upon surrender of the voting certificate(s) or, not less than 48 hours before the time for which the adjourned Meeting (or, if applicable, any further adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. Voting certificates issued and voting instructions given and the appointment of proxies for the Meeting convened for 11th May, 1994 will be valid for the adjourned Meeting unless they are, in the case of voting certificates, surrendered before, or, in the case of voting instructions, revoked or amended by the time being 24 hours before, the time appointed for holding the adjourned Meeting.

3. The quorum required at the adjourned Meeting is two or more persons present holding Bonds or voting certificates or being proxies whatever the principal amount of the Bonds so held or represented by them.

4. Every question submitted to the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Company or by two or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Bond so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

5. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether or not present at the adjourned Meeting and whether or not voting, and upon all holders of Coupons appertaining to the Bonds.

PRINCIPAL PAYING AGENT

Hambros Bank Limited
41 Tower Hill
London EC3N 4HA

OTHER PAYING AGENTS

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
L-2955 Luxembourg

Manufacturers and Traders Trust Co.
654 Madison Avenue
New York N.Y. 10021

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

This Notice is given by:
OKG AKTIEBOLAG
S-572 83 Figeholm
Sweden

and approved by:
Hambros Bank Limited
41 Tower Hill
London EC3N 4HA
Member of SFA

12th May, 1994

Southwest Air stays cool in ticket war

Three of the top four US reservation systems have said they will no longer handle bookings for the airline, writes **Richard Tomkins**

Last year Southwest Airlines was the most profitable airline in the US. In the first quarter of the current year, it looked like staying that way: net profits shot up 68 per cent to $41m. But has its luck turned?

In the last few days, three of the four computer reservation systems that dominate airline ticketing in the US have announced that they will no longer handle Southwest bookings. Investors fear passengers will give up trying to buy Southwest tickets and turn to competing airlines instead. The shares have lost about 10 per cent of their value over the past week.

At first sight, the incident looks like a nasty case of bullying. Southwest has grown big and successful by offering ultra-low air fares, heavily undercutting its competitors on short-haul routes.

It is surely no coincidence that the reservation systems now ejecting Southwest are owned, or at least part-owned, by its rivals.

System One is owned by Continental Airlines; Apollo is owned by Galileo, a consortium of 11 carriers including United Airlines and USAir; and Worldspan is owned by a consortium of four companies including Northwest Airlines, Delta Air Lines and Trans World Airlines.

Yet the reservation companies have a point. Other airlines pay them a fee of $2.50 per ticket for using their computer booking systems. Southwest, as part of its policy of paring costs to the bone, has steadfastly declined to make any contribution. The reservation companies say it is time to end the freeloading.

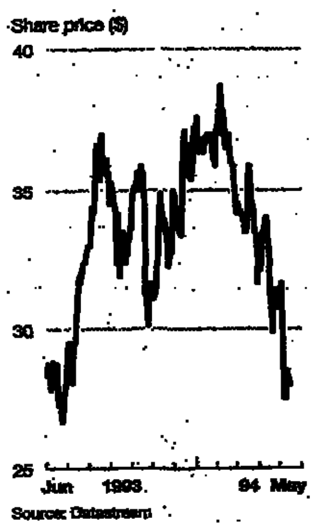
Southwest's argument is simple: it says it does not pay the reservation companies because it never asked to join their systems in the first place. They only started including Southwest's flights to help promote their systems to US travel agents. So although both sides may be irritated over the course of events, neither side seems to have been wronged.

But will Southwest be hurt by the outcome? Perhaps not as badly as the stock market fears. Although more than 80 per cent of airline tickets in the US are sold through computer reservation systems, only 55 per cent of Southwest's are sold in this way: and a large proportion of those are sold through American Airline's Sabre computer reservation system, the one system to which Southwest subscribes.

As for the rest, Southwest's consolation is that travel agents do not need computer reservation systems to make airline bookings: they can look up the schedule in a timetable, make a reservation over the telephone, and write out a ticket by hand.

A potential difficulty is that, because travel agents make their money by charging a 10 per cent commission on tickets sold, their rake-off on a Southwest ticket is much smaller than it would be on a higher-priced ticket. If the work has to be done manually, it is unlikely that they will be able to cover their costs.

Southwest Airlines



Source: Datastream

Yet travel agents dare not stop issuing Southwest tickets because the airline's low fares are so popular. Faced with the choice of losing customers to rivals still offering Southwest tickets, most agents will feel compelled to keep offering Southwest's tickets whatever the cost. Oddly, then, they rather than Southwest are in danger of emerging as the real losers.

Southwest has taken some steps to ease the agents' plight. It is equipping its busiest agents with personal computers and ticket printers hooked up to its internal reservation system. It says it is studying other technological solutions to the problem, the details of which it refuses to discuss.

Meanwhile, it has set up a telephone hotline that passengers can use to order tickets by mail. It says ticket sales have not missed a beat since the affair began.

But this is not likely to be the end of the matter. American Airlines' Sabre system is already reported to have started trying to poach the other systems' customers. The travel agents are furious and pressing for some sort of accommodation.

Meanwhile, many in the industry are asking why anybody should need a ticket to fly in any case, given that a confirmation number is all that is needed to rent a car or book a hotel room.

Job switch for Crédit Lyonnais director

By David Buchan in Paris

Crédit Lyonnais yesterday announced that Mr François Gille would relinquish his duties as one of its two managing directors to focus on the bank's legal problems over a Swiss bankruptcy inquiry into Sasea.

The Swiss group is a holding used by Italian clients of the state-owned Crédit Lyonnais to buy MGM, the Hollywood studio.

A Swiss magistrate has singled out Mr Gille – together with Mr Jean-Yves Haberer who ran up huge losses as Crédit Lyonnais's president in 1988-93 – in his inquiry into whether the French bank was partly to blame for the Sasea bankruptcy.

But Mr Jean Peyrelevade, Crédit Lyonnais' new president, made clear that Mr Gille was neither being pushed aside nor was to blame for the "origin" of the bank's Sasea/MGM problems.

When he announced Crédit Lyonnais' radical restructuring last month, Mr Peyrelevade shielded Mr Gille from press questions about the latter's responsibility under Mr regime. A parliamentary inquiry into Crédit Lyonnais is due to start this month.

Dow Jones in sponsored videos move

By Raymond Snoddy

The world of public relations and corporate sponsored videos is joining the multimedia revolution. Medialink, the international video public relations company and the Multimedia Division of Dow Jones will announce today plans to deliver sponsored videos to the desktop computers of professional investors.

Under the deal, business organisations will be able to transmit information on new products, corporate announcements or annual meetings to subscribers of the new Dow Jones Investor Network.

The video network launched last September is aimed mainly at research analysts and portfolio managers and according to Dow Jones is already available to "more than 300 professionals".

Reuters, the news and information group is launching a similar service in Europe next month aimed at the foreign exchange and debt markets.

Like the Reuters service, the Dow Jones Network only offers a burst of video when there are events that are potential market movers.

Medialink is paying Dow Jones Investor Network to broadcast its video information, subject to the normal rules of decency and legality.

"This is a way for companies to get specific messages to the investment community without any outside editorial control," said Mr Simon Langdon, director of business operations for the DJIN.

The president of Medialink, Mr Laurence Moskowitz, yesterday described the exclusive deal as "an historic event for the public relations and investor relations industries."

Taiwan group files actions against Intel chip patent

By Louise Kehoe in San Francisco

United Microelectronics, a Taiwanese semiconductor manufacturer backed by the Taiwan government, has filed actions in Taiwan and France disputing a critical microprocessor patent held by Intel, the world's largest chip maker and the dominant supplier of microprocessors to the personal computer industry.

The UMC actions coincide with the long-delayed introduction by the Taiwanese company of a "clone" of one of Intel's top-selling microprocessors, the Intel 486.

Intel makes about 80 per cent of microprocessors that go into PCs and has vigorously defended its property rights against other chip makers.

Facing a likely legal challenge from Intel, UMC took pre-emptive action, said Robert Tsao, UMC chairman, applying in France and Taiwan to have one of Intel's patents invalidated in those countries.

Mr Tsao said UMC intends to file similar actions in other countries. "Anywhere they have 338 patent registered, we will invalidate it," he said.

Intel officials in the US said they have had no official contact with UMC. But the US company plans to obtain samples of the UMC chips and will analyse them to determine if there is any infringement of patents or trade secrets.

Intel said it has broad international patent protection on its microprocessors and that UMC is not licensed to use any Intel technology.

In interviews last September, UMC officials said they would not sell in the US market when they introduced their microprocessor chip, in order to avoid legal challenges from Intel.

The primary target of UMC's efforts is Taiwan's large personal computer "motherboard" industry. Dozens of Taiwanese companies produce the main circuit boards that go inside personal computers for US and European computer companies.

The UMC chip, called the U5S "Green Chip", is a relatively slow version of a 486 microprocessor, suitable for low-end personal computers. UMC said that it expects sales of its new chip to reach T$800m ($30m) this year and T$2bn next year.

Federated Stores 48% ahead

By Richard Tomkins in New York

Federated Department Stores, the US retailer trying to gain control of the bankrupt R. H. Macy group, yesterday reported a 48 per cent jump in net profits from $21.7m before extraordinary items to $32.2m for the first quarter, ended April.

Some of the increase was attributable to a 4 per cent increase in sales from $1.59bn to $1.65bn, but most of it resulted from efficiency improvements. Selling, general and administrative expenses fell from 34.9 per cent of sales last time to 32.8 per cent.

Earnings per share rose from 17 cents before extraordinary items to 25 cents.

Mr Allen Questrom, Federated's chairman and chief executive, said the profits increase was largely due to progress in reducing expenses, derived in part from investments in technology that had brought improvements in productivity.

"We are pleased with our ability to continue to get more productivity out of the business, which is integral to our efforts to drive sales by offering better assortments, selections and value to our customers," Mr Questrom said.

Federated operates 220 stores in the US, including the Bloomingdale's and Abraham & Strauss (A&S) chains. It believes a takeover of the rival R. H. Macy group would provide it with long-term profits growth because merging the two empires would provide big opportunities for productivity improvements.

R. H. Macy is currently in Chapter 11 bankruptcy protection, and Federated has filed a rescue plan that would give it control of the company. But its plan has to compete with others submitted by Macy's existing management and the official bondholders' committee, and it is not yet clear which will succeed.

Mr Cyrus Vance, the court-appointed mediator between Macy's creditors and those putting forward the rescue plans, is holding discussions between the parties in the hope of lining up support for a single reorganisation plan that can then be put to a vote.

New fund to target Vietnam

By Victor Mallet in Bangkok

A new international fund which aims to raise up to $100m for investment in Vietnam will be launched at a Japan roadshow next week before being offered to investors in the US and Europe, the managers said yesterday.

The management company of the Vietnam Frontier Fund, which is to be listed in Dublin, is 70 per cent controlled by Finansa Thai, a Bangkok-based merchant banking group, 20 per cent by stockbrokers HG Asia, and 10 per cent by N.X. Oanh Associates of Vietnam.

Among the directors are Mr William Colby, former head of the US Central Intelligence Agency, and Mr Nguyen Xuan Oanh, a former minister in the South Vietnamese regime and adviser to the present Vietnamese communist government.

If successful, the new 10-year fund will be the fourth such group targeting Vietnam; the other three have raised some $170m, but finding viable investments in Vietnam has proved a slow process and investors in the latest fund will pay out only 50 per cent of their commitment at the start.

The fund, which is to be marketed by Nomura in Japan and by HG Asia elsewhere in the world, will attempt to take advantage of Vietnam's rapid economic growth by investing in a range of property, industrial, mining, infrastructural and other projects. This will include companies being privatised or partly privatised by the Vietnamese government.

"This is the first institutional fund that is being targeted at Japan and the US as well as Europe," said Mr George Morgan of HG Asia in Bangkok.

Finland to cut stake in Valmet with share issue

By Christopher Brown-Humes in Stockholm

Valmet, the Finnish paper machinery and engineering group, yesterday announced plans for an international offering of up to 7m new shares.

The move, which could raise around FM700m ($129.6m), continues the government's privatisation programme and would cut state ownership in the group from 73 to 61 per cent.

Valmet has said the offer will strengthen its balance sheet, expand its shareholder base, and increase liquidity in its shares.

The size of the issue and pricing will be finalised after an international roadshow later this month. If demand exceeds 7m shares, the state has agreed to sell 1m Valmet shares, reducing its holding further to 59 per cent. The shares have recently been trading at FM100.

Valmet is one of the world's leading suppliers of paper machinery. Last year profits after financial items amounted to FM100m on sales of FM10.7bn. A further improvement is expected this year.

Valmet's share capital will rise to FM851m from FM711m if the share offer is fully subscribed. Merrill Lynch International is global co-ordinator to the offering and Mandatum & Co is domestic lead manager.

Conrad Black paid C$2.4m at Hollinger

By Robert Gibbens in Montreal

Hollinger, the Canadian newspaper holding company, said its chairman Mr Conrad Black received C$2.4m (US$1.7m) in remuneration in 1993. It added that his wife, journalist Barbara Amiel, was being nominated to the board.

Mr Black has a 45.4 per cent controlling interest in Hollinger. He received a C$1.56m base salary, plus C$282,000 bonus and C$581,000 in other compensation.

Hollinger said its executive pay is tied to comparable US media companies.

INTERNATIONAL CAPITAL MARKETS

Bundesbank rate cut sparks rallies across Europe

By Sara Webb in London and Patrick Harverson in New York

The Bundesbank cut its key interest rates by a generous 50 basis points, prompting a wave of interest rate cuts across the continent by other European central banks and triggering rallies in the European government bond markets.

GOVERNMENT BONDS

The German central bank lowered its discount rate, which provides the effective floor for money market rates, to 4.5 per cent from 5.0 per cent while the Lombard rate was cut from 6.5 per cent to 6.0 per cent.

The central banks of France, Italy, the Netherlands, Belgium, Austria and Denmark all eased interest rates during the day, sparking gains particularly among shorter-dated issues with the result that many of the European yield curves steepened.

But while bond markets rallied initially, profit-taking later eradicated some of the gains, and towards the end of the session, dealers noted that European markets were once again focusing on the US Treasury bond market, awaiting a move by the US Federal Reserve.

German government bonds ended the day mixed with the short and ultra-long dated issues closing higher on the day, while 10-year bonds were either unchanged or slightly lower. The bund market rallied ahead of the Bundesbank council meeting, then dropped back on profit-taking before recovering again in the afternoon.

The Liffe June bund future contract ended down 0.04 at 95.02 while the DTB's June medium-dated Bobl future ended up 0.17 at 100.50.

The Bank of France cut its intervention rate by 10 basis points to 5.5 per cent first thing yesterday morning, following Tuesday's cut in the German repo rate and pre-empting the Bundesbank's discount and Lombard cuts.

French government bonds rallied, and dealers said the market could now expect to see a further snip in the intervention rate early next week. The Matif's notional bond futures contract settled up 0.50 at 120.20.

■ Italian government bonds opened on a firm note, pleased with the announcement of the new cabinet on Tuesday evening and more significantly with yesterday's half-point cut in the discount rate from 7.5 per cent to 7.0 per cent.

Short-dated issues showed the strongest gains while the Liffe BTP future ended down 0.20 at 111.85 after profit-taking by traders and investors.

Mr Steven Dulake, bond analyst at Paine Webber, said the appointment of Mr Dini as treasury minister – as had been expected by the market – was good news: "He is independent with no overt alliances and is a well-respected technocrat," said Mr Dulake.

■ Of all the European markets, Spain continued to underperform as political worries and scandals dogged the bond market. The bond futures contract ended half a point lower, and analysts predicted that the shake-out was likely to be prolonged. "Politics are really calling the tune," said one dealer.

■ The gilt market closed firmer as the market kicked off on a strong note, and then made further gains on the back of the interest rate cuts in Europe. As on the continent, the short-dated issues were the main beneficiaries, gaining ¾ of a point on the day.

■ Japanese government bond prices rallied as money market interest rates declined further and the bond market saw strong domestic demand.

The overnight call rate fell to a historic low of $2\frac{1}{16}$ per cent, encouraging talk in the market of an official discount rate cut. The JGB futures contract opened at 112.60 and reached a high of 113.06, ending Tokyo trading at 112.95 and trading at 113.00 in London.

■ US Treasury prices were mixed yesterday morning as the bond market pondered a cut in German interest rates and nervously awaited the afternoon auction of $12bn in new 10-year notes.

By midday, the benchmark 30-year government bond was down $\frac{11}{32}$ at $84\frac{28}{32}$, to yield 7.527 per cent. Prices were marginally firmer at the short end of the market, however, with the two-year note up $\frac{1}{32}$ at $98\frac{7}{8}$, yielding 6.097 per cent.

At the opening of trading, the market was temporarily lifted by a higher dollar, which rose after the Bundesbank rate cut. Prices at the long end eased later in the morning, however, as traders and investors struggled to digest the implications of the cut.

Trading was also affected by a reluctance of many participants to commit to the market ahead of the afternoon 10-year note auction.

India takes tough line on companies seeking capital

By Stefan Wagstyl in New Delhi

India yesterday announced tough new guidelines for Indian companies tapping the international capital markets in an effort to channel funds into priority areas such as power, high technology and industrial modernisation.

The guidelines codify and extend ad hoc decisions the finance ministry has made since Indian companies were first permitted to launch international issues in late 1992 as part of economic reforms.

In the most significant measure, the ministry will permit companies to borrow only for three specific purposes – the financing of capital goods imports, the financing of domestic plant purchases and its installation, and the repayment of earlier foreign loans.

Companies will therefore not be allowed to raise money simply to increase cash holdings or to repay domestic borrowings, as some companies which have raised funds in the past 18 months have done.

The ministry has been concerned about reports of companies using the proceeds of Euroissues to invest in the domestic stock market. Companies will be permitted to retain Euroissue proceeds abroad only for specific purposes.

Companies in low-priority industries such as consumer goods and financial services will need Foreign Investment Promotion Board approval for Euroissues. Companies in power and other high-priority sectors will not require such approval.

To avoid increasing India's external debts, companies will not normally be permitted to issue convertible bonds unless the proceeds are used to restructure existing debts.

Companies will be permitted only one issue for every financial year and the large groupings which dominate Indian industry will be allowed only two issues per grouping. There will also be a minimum gap of 12 months between two issues by the same company.

The government toyed with also placing a cap on the total amount to be raised through Euroissues in the current financial year, which started in April – perhaps at $2.5bn, the amount raised in 1993-94.

But the recent postponement of the $1bn issue planned by VSNL, the international telecommunications carrier, has forced some other potential issuers to reconsider their plans.

EIB launches L300bn offering

By Antonia Sharpe and Conner Middelmann

Sweeping interest rate cuts across Europe encouraged several top-quality borrowers to tap the international bond market in a variety of currencies yesterday.

The European Investment Bank launched its expected Eurolira offering, raising L300bn through 10-year Eurobonds callable at par after five years. Joint lead manager Credito Italiano said the bonds sold quickly to domestic retail investors. When they were freed to trade, the bonds were quoted at 98.80, 20 basis points within fees.

INTERNATIONAL BONDS

SNCF, the French state railway, also tapped the Eurolira sector but syndicate managers said its deal proved less popular because of the 12-year maturity, even though the bonds are callable at par after five years and annually thereafter. In the late afternoon, the bonds were trading at 98.80, 10 basis points within fees.

Credito Italiano said persistent demand from Italian investors for callable bonds was likely to attract more borrowers to raise funds through this type of instrument.

After absorbing a steady flow of issues in recent days, the Euroyen sector saw a Y50bn offering of five-year bonds from Baden Württemberg L-Finance, a financing subsidiary of Germany's L-Bank. Lead manager Merrill Lynch said the deal met good demand from European, US and Japanese investors.

Exim Bank became the first Japanese government-guaranteed issuer to do a fungible transaction when it raised Y30bn by reopening its outstanding Y75bn offering of 10-year Eurobonds launched last September. Lead manager Nomura said half the bonds went to investors in non-Japan Asia and the rest to European investors.

Sweden also reopened its benchmark $2bn offering of Eurobonds due December 1995 to raise a further $500m. Lead manager J. P. Morgan said the maturity of the bonds coincided with that of a large Ecu-denominated syndicated loan which Sweden took out in 1992 and which it was in the process of repaying.

KfW, Germany's triple-A rated reconstruction agency, issued C$150m of 5½-year bonds which lead manager ABN Amro said were largely targeted at continental European retail investors who are likely to want to roll over their Canadian dollar bonds when they mature. Redemptions are likely to be particularly heavy in June.

However, other syndicate managers said the pricing of the bonds should have been at least five basis points wider and added that the timing was poor, coming before today's Ascension Day holiday which will close many parts of continental Europe until Monday.

Few new issues are expected today or tomorrow due to the holiday. Up to 40 syndicate managers are also due to fly to Marbella tomorrow for a week-end of golf and tennis, organised by Lehman Brothers.

● The Province of British Columbia yesterday signed a $2bn multi-currency Euro-debt issuance programme arranged by Lehman Brothers. Notes to be issued have been rated double-A one by Moody's and double-A plus by Standard & Poor's.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Sweden(a)	500	5.5	99.20	Dec.1995	undiscl.	-	J.P.Morgan Secs.
Merrill Lynch & Co.‡	250	(g)	99.90R	May 1999	undiscl.	-	Merrill Lynch Intl.
Falcon 94 Ltd/Corp(h)‡	105.5	(h)#	99.89R	May 1998	0.75R	-	Morgan Stanley Intl.
Falcon 94 Ltd/Corp(i)‡	55.5	(i)#	99.79R	May 2001	0.75R	-	Morgan Stanley Intl.
D-MARKS							
Deutsche Ausgleichsbank‡	400	(b)	100	June 1999	0.20	-	Trinkaus & Burkhardt
YEN							
Baden Wuerttemberg L.Finance	50bn	3.75	99.85R	June 1999	0.25R	-	Merrill Lynch/Mitsub.Fin
Export-Imp. Bk. of Japan(c)	30bn	4.375	101.75R	Oct.2003	0.325R	+11.7(4½%-03)	Nomura International
CANADIAN DOLLARS							
KFW(d)	150	8.5	100R	Dec.1999	0.275R	+20 (5¾%-99)	ABN Amro
ITALIAN LIRE							
European Investment Bk.(e)	300bn	9.125	100.50	June 2004	-	-	Banca di Roma
SNCF(f)	150bn	9.2	100.70	June 2006	2.00	-	Credito Italiano

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible 40 days after payment with outstanding $2bn deal. Plus 175% accrued interest. b) Coupon pays 3-month DM Libor flat. c) Fungible with outstanding Y75bn deal on 1.10.94. Short first coupon. Spread relates to Japanese Gov. Bd. No.157. d) Short first coupon. Spread relates to Canadian Gov. Bds. e) Callable on 15.6.99 at par. f) Callable on 22.6.99 at par and annually thereafter. g) Coupon pays 3-month Libor + 0.25%. h) Tranche A of $161m Asset-Backed FRN. Coupon pays 6-month Libor + 0.30%. i) Tranche B. Coupon pays 6-month Libor + 0.70%.

Trizec holders lose argument

Junior debt holders of Trizec, the North American property group, have failed to halt the company's refinancing programme, writes Robert Gibbens from Montreal.

An Alberta court rejected their argument that they should be given more time to negotiate a better deal as part of the refinancing. Trizec has already settled with the senior debt holders.

Trizec is now expected to post to shareholders details of the refinancing, which hinges on a C$600m cash injection by Horsham, a holding company controlled by Mr Peter Munk, the Toronto financier.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	104.6000	–0.320	8.76	8.77	7.98
Belgium		7.250	04/04	98.3500	+0.410	7.49	7.50	7.13
Canada *		6.500	06/04	86.7500	+0.550	8.49	8.35	7.93
Denmark		7.000	12/04	97.6500	+0.600	7.32	7.52	6.86
France	BTAN	8.000	05/98	106.2500	+0.250	6.18	6.32	5.94
	OAT	5.500	04/04	89.8100	+0.200	6.95	7.05	6.55
Germany		6.000	09/03	100.8000	+0.080	6.64	6.57	6.21
Italy		8.500	01/04	96.5000	–0.210	9.05†	9.14	8.70
Japan	No 119	4.800	06/99	106.6080	–	3.29	3.33	3.52
	No 157	4.500	06/03	103.7520	–	3.94	3.89	4.01
Netherlands		5.750	01/04	93.3800	+0.380	6.70	6.80	6.39
Spain		10.500	10/03	104.9500	–0.400	9.88	9.71	8.85
UK Gilts		6.000	08/99	92–11	+12/32	7.81	7.77	7.17
		6.750	11/04	89–28	+9/32	8.21	8.12	7.62
		9.000	10/08	105–19	+4/32	8.33	8.23	7.80
US Treasury *		5.875	02/04	89–29	+7/32	7.34	7.10	6.91
		6.250	08/23	84–29	+5/32	7.53	7.32	7.24
ECU (French Govt)		6.000	04/04	90.5400	+0.390	7.37	7.53	6.91

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.11	Two year	6.10
Prime rate	6¾	Two month	4.34	Three year	6.49
Broker loan rate	5½	Three month	4.29	Five year	6.91
Fed.funds	3⅝	Six month	4.91	10-year	7.30
Fed.funds at intervention	-	One year	5.44	30-year	7.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	120.28	120.20	+0.50	120.40	119.78	199,695	113,469
Sep	119.30	119.26	+0.52	119.38	119.00	4,763	17,173
Dec	118.38	118.32	+0.50	118.48	118.10	3,353	3,529

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
119	1.53	1.98	-	0.30	1.84	-
120	0.84	1.43	-	0.60	2.26	-
121	0.33	1.03	-	-	-	-
122	0.12	0.63	-	1.92	-	-
123	0.03	0.42	-	-	-	-

Est. vol. total, Calls 21,775 Puts 49,858. Previous day's open int., Calls 505,920 Puts 345,904.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.30	94.99	-0.07	95.57	94.66	238980	193296
Sep	95.00	94.49	-0.05	95.00	94.20	3479	19932

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9450	0.84	1.03	1.34	1.54	0.35	1.04	1.35	1.55
9500	0.54	0.78	1.11	1.29	0.55	1.29	1.62	1.80
9550	0.31	0.59	0.91	1.08	0.82	1.60	1.92	2.08

Est. vol. total, Calls 20118 Puts 23282. Previous day's open int., Calls 318462 Puts 294335

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	100.44	+0.11	-	-	0	1773

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.65	111.89	-0.16	112.65	111.65	63957	77797
Sep	111.52	111.06	-0.19	111.60	111.07	1523	3511

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11150	0.80	2.10	0.51	2.54
11200	0.63	1.88	0.74	2.82
11250	0.42	1.68	1.03	3.12

Est. vol. total, Calls 2025 Puts 1271. Previous day's open int., Calls 78873 Puts 74633

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.40	95.61	-0.46	96.40	95.33	82,110	114,064
Sep	95.30	94.65	+0.65	95.30	95.30	343	1,581

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-29	103-22	+0-07	104-07	103-14	90527	124310
Sep	102-24	102-22	+0-10	103-00	102-24	154	398

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
103	1-18	2-28	0-38	2-48
104	0-48	2-00	1-04	3-20
105	0-24	1-39	1-44	3-59

Est. vol. total, Calls 11987 Puts 4722. Previous day's open int., Calls 99790 Puts 73268

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	87.04	87.22	+0.60	87.32	86.88	2,890	8,797

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-02	103-01	-0.03	103-08	102-24	537,474	427,152
Sep	102-02	102-03	-0.03	102-09	101-25	11,467	65,224
Dec	101-13	101-16	+0-02	101-23	101-10	434	33,384

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.96	-	-	113.02	112.93	1634	0
Sep	112.02	-	-	112.02	112.02	100	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed May 11	Day's change %	Tue May 10	Accrued interest	xd adj. ytd		Low coupon yield May 11	May 10	Yr. ago	Medium coupon yield May 11	May 10	Yr. ago	High coupon yield May 11	May 10	Yr. ago
1 Up to 5 years (22)	122.49	+0.27	122.16	1.69	4.34	5 yrs	7.85	7.98	7.07	8.08	8.17	7.37	8.16	8.27	7.59
2 5-15 years (23)	142.43	+0.49	141.74	1.61	5.32	15 yrs	8.23	8.28	8.02	8.32	8.38	8.45	8.63	8.69	8.70
3 Over 15 years (9)	160.10	+0.45	159.38	2.49	4.06	20 yrs	8.23	8.28	8.25	8.32	8.38	8.55	8.48	8.53	8.75
4 Irredeemables (6)	180.07	+0.39	179.37	0.41	6.12	Irred.†	8.32	8.35	8.61						
5 All stocks (60)	139.87	+0.41	139.29	1.79	4.82										

Index-linked							Inflation 5% May 11	May 10	Yr. ago	Inflation 10% May 11	May 10	Yr. ago
6 Up to 5 years (2)	184.86	+0.12	184.65	0.54	2.53	Up to 5 yrs	3.50	3.53	2.75	2.57	2.61	1.95
7 Over 5 years (11)	176.74	+0.20	176.39	0.95	1.69	Over 5 yrs	3.59	3.60	3.59	3.41	3.42	3.42
8 All stocks (13)	176.70	+0.19	176.37	0.90	1.77							

Debentures and Loans						5 year yield May 11	May 10	Yr. ago	15 year yield May 11	May 10	Yr. ago	25 year yield May 11	May 10	Yr. ago
9 Debs & Loans (76)	130.34	+0.69	129.45	2.40	4.17	9.38	9.49	9.05	9.38	9.45	9.52	9.33	9.41	9.67

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 11	May 10	May 9	May 6	May 5	Yr ago	High*	Low*
Govt. Secs. (UK)	93.77	93.45	93.20	93.89	94.27	94.92	107.04	93.20
Fixed Interest	111.48	110.92	112.15	112.91	112.98	110.96	133.87	110.92

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 10	May 9	May 6	May 5	May 4
Gilt Edged bargains	88.7	73.4	104.6	103.3	95.1
5-day average	93.0	92.5	95.4	97.4	100.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
United Kingdom 7⅛ 97	5500	104	104⅛	+¼	5.80
Abbey Natl Treasury 8 03 £	1000	93¾	94⅛	+¼	9.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

J Smurfit falls 27% to I£48m but sees upturn

By Paul Taylor

Jefferson Smurfit, the Irish paper and packaging group, yesterday reported a further decline in full year profits but expressed confidence that a recent upturn in demand for cardboard boxes in the US and Europe signalled the end of the paper industry's worst recession for 50 years.

Pre-tax profits in the year to January 31 fell by 27 per cent to I£47.8m (£46.6m), against I£65.8m restated for FRS 3.

Sales increased by 16.5 per cent to I£1.47bn (I£1.26bn), mainly reflecting the inclusion of UK Corrugated, Cundell and Irish Paper Products for the first time.

Mr Michael Smurfit, chairman, said the results reflected "a further decline in our already low prices which was mainly the result of continuing overcapacity".

The pre-tax figure was struck after I£37.6m (I£29.7m) of exceptional costs relating to the group's share of its US associate's $150m (£103m) pre-tax charge for restructuring.

Earnings per share slipped to 7.2p (7.8p) but the proposed final dividend is raised to 2.7694p, making a total for the year up 7 per cent at 4p, against 3.74p.

Operating profit fell from I£104.2m to I£75m, of which I£4.71m was from acquisitions.

Net interest receipts dropped to I£9.77m (I£16.2m) as net cash declined from I£149.5m to I£38.4m partly reflecting currency devaluation.

With the exception of Ireland, sales volumes declined in all countries.

The combined Ireland/UK region reported an 11 per cent increase in profits to I£28.2m on sales which grew by 50 per cent to I£557.7m.

In continental Europe profits fell by 63 per cent to I£7.95m (I£21.5m) on sales down by 7 per cent to I£380m, but Mr Ray Curran, chief financial officer, said European price trends were now looking "much more positive".

The Latin American operations continued to generate the lion's share of trading profits although their contribution fell by 14 per cent to I£54.2m.

In North America JSC/CCA, the associate set up through a leveraged buy-out in 1989, reported increased losses of I£14.7m (I£1.08m).

JSC completed the first stage of a two-part refinancing aimed at raising $2.45bn yesterday including a $250m public equity offering.

● COMMENT

Smurfit's management gave an upbeat assessment of prospects in both the US and Europe yesterday. In the US, the group's most important market, the recovery has already eaten up spare capacity and price increases appear to be sticking - every $10 price rise adds $20m to Smurfit's bottom line. This year pre-tax profits of about I£98m and earnings of 14p look possible but the real advance should come next year when profits could reach I£165m producing earnings of 23p. The shares are trading on a prospective multiple of 13.6 against next year's earnings and should be bought or held.

Provisions leave Bibby £12m in the red

By Peggy Hollinger

J Bibby and Sons, the South African-controlled conglomerate, plunged into the red in the 26 weeks to March 26 with pre-tax losses of £12.4m, against profits of £4.8m last time.

The deficit was due to a decision to withdraw from the agricultural feeds business. Bibby last month agreed the £35m sale of this business to Associated British Foods.

The company suffered a £12.6m loss on disposal and was forced to write off the £2.5m costs of its aborted plan to float the division.

Mr Richard Mansell-Jones, chairman, had previously said the company would have had to take a £35m loss on disposal if the business had been floated.

Excluding these charges, and a further £5.2m write-back of goodwill, profits after interest were ahead 65 per cent at £7.9m. Sales declined from £416m to £409.1m.

The group benefited from a £2.4m drop in interest charges to £5.8m. Bibby's debt, incurred after the ill-fated £82m acquisition of Finanzauto, the Spanish Caterpillar dealer, fell from £155m to £117m. This was largely due to disposals in the Caterpillar division.

Mr Mansell-Jones said trading in Spain and Portugal remained weak in the first half. Since February, however, there had been "a small but significant improvement in the order book level for new equipment". The chairman said cost-cutting had helped the capital equipment division to reduce first half losses.

As forecast the interim dividend is halved to 1p. There is also a special pay-out of 2p following the disposal of the agricultural feeds business. Barlow Rand, which owns 79 per cent of Bibby, has waived its entitlement.

Losses emerged at 10.79p (1.43p earnings).

Direct Line surges to £40.5m

By Richard Lapper

Direct Line, the UK's leading motor insurer, has nearly doubled its share of the household insurance market since March last year and expanded particularly rapidly in the six months to March 31.

Details emerged yesterday when the Royal Bank of Scotland subsidiary reported a nearly threefold increase in pre-tax profits to £40.5m (£15m).

The company said it had experienced a surge in growth following the introduction of a new rating structure and a marketing campaign in September 1993, underwriting 139,000 new policies in the half year to bring its total to 381,000.

Premium income from household policies increased by 92 per cent to £41.8m.

Meanwhile, Direct Line is consolidating its position in the motor market, issuing 445,000 new policies in the half year and reaching 1.56m policies in force by March 31, against 903,500 a year earlier. Motor premium income rose by 66 per cent to £219.4m (£132.4m).

Mr Peter Wood, chief executive, said that "despite increasing competition in the motor and household insurance markets during the half year, Direct Line has achieved rapid growth in both".

Overall including income from creditor insurance, premium income rose by 67 per cent to £267.7m (£160.6m).

The company's operating ratio, an efficiency indicator which measures claims and expenses as a percentage of premiums, improved by four percentage points to 84 per cent.

In household business, Direct Line's loss ratio – which measures claims as a percentage of premiums – fell to 52.4 per cent in the last six months, against 71.8 per cent a year earlier. As the size of the company's portfolio expands, the expense ratio – expenses as a percentage of premiums – has dropped to 21.5 per cent (29.2 per cent).

Further injections of capital of £35m were made by Royal Bank of Scotland "to support the company's continued expansion".

As well as maintaining the pace of its advance in the household area, Direct Line aims to underwrite 2m motor policies by the end of the year. The company plans to spend £16m on marketing this year, of which £9m will be earmarked for advertising, against £9.5m last time.

Mr Wood said that he was considering a range of new services and products. A new initiative to improve the management and reduce the cost of motor insurance claims is near fruition.

The company is already issuing personal loans, through Direct Line Financial Services, and plans to run a pilot scheme to offer mortgages in the summer.

Two face fraud charges after Belling collapse

By Peggy Hollinger

Two men linked to the loss of £2.3m from the pension fund of Belling, the cooker manufacturer which collapsed two years ago, were yesterday charged with defrauding or attempting to defraud companies and private individuals in the UK and abroad of more than £20m.

The charges follow a 15-month joint investigation by the Staffordshire police and the Serious Fraud Office into an advance fee fraud which is thought to cover the US and Europe.

Mr Charles Deacon, a solicitor from Newcastle-under-Lyme, and Mr Keith Fuller, a business consultant, were charged with 16 and eight counts of fraud and attempt to defraud respective.

The charges date from 1986 to 1992 and range from claims as small as £100,000 to allegations that Mr Deacon and Mr Fuller conspired to obtain $5m from a Finnish food producer.

The case was transferred to the Nottingham Crown Court.

$3m first quarter loss at SeaCon

Sea Containers, the Bermuda-based leisure, ferry and container leasing group, incurred net losses of $3.17m (£2.17m) in the three months to March 31, against profits of $7.47m last time.

The company pointed out that the previous figure had been boosted by a $10.4m exceptional gain from foreign exchange and the sale of a factory. It added that underlying earnings from container leasing had grown by $1.5m.

The ferries and ports division incurred increased losses of $7.25m ($6.18m).

Finance costs rose by $9.66m to $16.2m, and losses per share came through at 71 cents (earnings of 34 cents).

Ex-Celsis chief to sue for wrongful dismissal

By Daniel Green

Mr Tony Martin, who was dismissed as chief executive of Celsis, the biotechnology company, on March 31, is suing the company for wrongful dismissal and defamation.

A statement issued on his behalf said that "although his lawyers had tried to negotiate terms with the company, he was afraid that discussions had made little headway".

Mr Martin said: "I have no alternative now but to defend my reputation and to demonstrate that there were no grounds on which my employment contract could be terminated without notice."

"Unless some of the founding shareholders allow executive management to manage, I fear my head will not be the last to roll," he said.

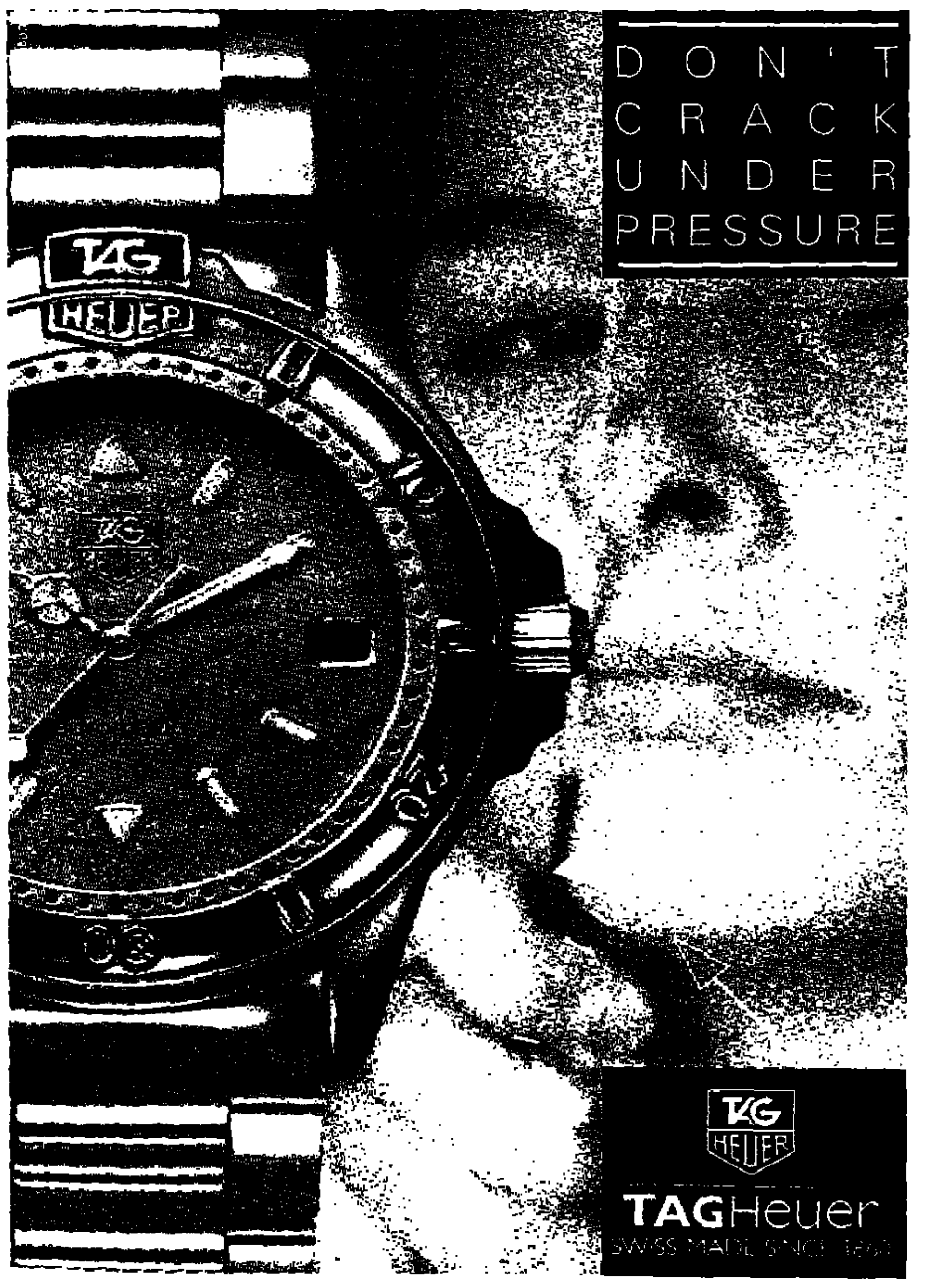
The founding shareholders are Mr Chris Evans and Mr John Morris. Both are non-executive directors with 26 per cent and 17 per cent stakes respectively.

Celsis said that it was "disappointed" in Mr Martin's statements which would "intensify the dispute".

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Avon Rubber	int	5	July 29	5	-	16.5
Bibby (J)	int	1	July 1	2	-	2
Fleming Far East	fin	1.5	July 11	1.1	1.5	1.1
Greenalls	int	5.334	July 8	5.08	-	12.36
Lynx §	int	0.36†	Aug 10.	0.3	-	1.25
REA Holdings	fin	2ф‡‡	Aug 31	4	4	4
REA Holdings	fin	4‡‡‡	Aug 31	2	4	4
Royal Bank	int	4	July 21	3	-	11
Sainsbury (J)	fin	7.6	July 29	7.3	10.6	10
Schroder Split	int	1.8	June 30	1.688	-	7.2
Scottish Power	fin	8.27	Oct 3	7.43	12.4	11.15
Smurfit (Jeff)	fin	2.769♣	July 4	2.509	4	3.74

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. фSecond interim in lieu of final for year to end-December 1992. ‡Second interim in lieu of final for year to end-December 1993. ‡‡Enhanced scrip dividend available.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.05.94: Pool purchase price £/MWh	Final Prices for Trading on 14.04.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.90	11.16	11.16
0100	10.75	10.95	10.95
0130	10.90	16.85	16.85
0200	10.95	22.01	24.19
0230	10.95	40.00	42.17
0300	10.95	40.00	42.17
0330	10.85	40.00	42.17
0400	10.85	27.24	29.41
0430	10.75	22.38	24.55
0500	10.75	16.75	16.75
0530	10.75	16.75	16.75
0600	10.75	16.75	16.75
0630	11.05	16.86	16.86
0700	13.00	23.51	25.68
0730	17.38	25.97	28.28
0800	21.41	33.75	36.70
0830	22.51	35.58	38.88
0900	22.51	37.98	41.89
0930	22.51	37.68	41.35
1000	22.51	37.44	41.08
1030	22.52	36.43	39.85
1100	22.52	35.59	38.84
1130	22.52	35.13	38.29
1200	26.27	34.74	37.80
1230	26.27	33.88	36.73
1300	26.27	31.76	34.37
1330	22.09	31.58	34.06
1400	22.08	30.10	32.37
1430	22.08	28.09	30.32
1500	21.49	28.05	30.28
1530	21.49	28.02	30.23
1600	21.49	26.29	28.49
1630	26.26	26.33	28.55
1700	29.60	35.99	38.21
1730	29.60	35.95	38.17
1800	29.89	35.89	38.09
1830	21.41	25.62	27.80
1900	19.87	25.61	27.78
1930	19.87	25.60	27.77
2000	17.38	25.60	27.78
2030	17.38	33.08	35.21
2100	24.14	47.04	49.23
2130	29.60	47.04	49.22
2200	29.60	34.77	36.94
2230	24.14	34.75	36.93
2300	13.66	12.86	15.03
2330	11.53	17.30	17.30
2400	11.09	16.86	16.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-405758 between 8.30am and 6.15pm Monday to Friday.
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PUBLIC WORKS LOAN BOARD RATES
Effective May, 10

Years	'Lower' quota rates EP†	A††	maturity§	'Higher' quota rates EP†	A††	maturity§
1	-	-	5⅝	-	-	5⅝
Over 1 up to 2	5⅞	6	6⅝	6	6⅛	7
Over 2 up to 3	6⅝	6⅞	7⅝	6¾	6⅞	7⅝
Over 3 up to 4	7⅛	7¼	8⅛	7¼	7⅜	8¼
Over 4 up to 5	7½	7⅝	8⅜	7⅝	7¾	8½
Over 5 up to 6	7¾	7⅞	8½	7⅞	8	8⅝
Over 6 up to 7	8	8⅛	8⅝	8⅛	8¼	8¾
Over 7 up to 8	8⅛	8¼	8⅝	8¼	8⅜	8¾
Over 8 up to 9	8¼	8⅜	8¾	8⅜	8½	9
Over 9 up to 10	8⅜	8½	8¾	8½	8⅝	9
Over 10 up to 15	8⅝	8¾	8¾	8⅞	9	9⅛
Over 15 up to 25	8⅞	8¾	8⅝	9⅛	9⅛	9
Over 25	8⅝	8⅝	8⅝	9	9	9

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS: UK

Opportunities seen for expanding non-core activities

Scottish Power advances 18%

By Michael Smith

Scottish Power, the electricity company, indicated it saw significant opportunities for expanding non-core businesses, possibly through acquisition, as it launched the electricity sector's preliminary results season.

Pre-tax profits for the year to March 31 were up 18 per cent, at the top end of expectations, to £351.1m (£297.1m) on turnover of £1.57bn (£1.5bn).

It announced an 11 per cent rise in dividend to 12.4p (11.15p) with a proposed final of 8.27p. Earnings per share rose 17.5 per cent to 31.6p (26.9p).

Market speculation on acquisitions was fuelled after the company said it would not be following the lead of other electricity companies which are seeking to buy back their shares.

Gearing fell over the year from 12.2 per cent to 0.4 per cent. Mr Ian Preston, chief executive, said the company began with gearing of 50 per cent at privatisation and would not feel uncomfortable with that in the future.

He said the company would invest to widen its business horizons in the next few years.

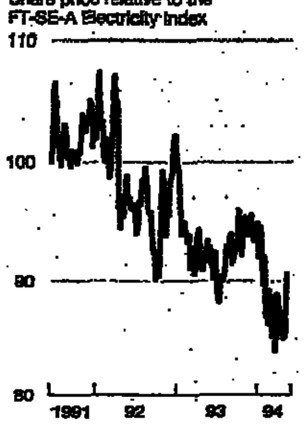
Analysts yesterday speculated that Scottish Power may seek to increase its interests in the gas and telecommunications businesses.

Another possibility was a bid for a regional electricity company in England and Wales after the government's golden share in those companies expired next April. The company is not, however, looking to expand outside the UK.

The company is already increasing sales of electricity in England and Wales. Capital expenditure last year of £158.1m included £36m on the construction of a 40MW generating station in Knapton and completion of improvements in transmission links with England and Wales.

Scottish Power

Share price relative to the FT-SE-A Electricity Index



Source: FT Graphite

Full utilisation of the 1600MW links awaits the granting of planning permission for National Grid to upgrade its England and Wales system. Scottish Power is also considering the possibilities of increasing the capacity to 2000MW. In the long term a 2000MW capacity together with a planned link with Northern Ireland could help it to increase its sales of electricity outside Scotland to 40 per cent of the total, compared with about 10 per cent last year.

Mr Duncan Whyte, chief operating officer, said the company may look at installing equipment to generate power from gas at Longannet, Fife, if limits on emissions of nitrous oxide were lowered beyond a certain level.

Highlights of the year included a £7m profit in retailing, against £4m the previous year and a £5m loss in 1990. Mr Whyte said he expected a profitable contribution this year from the 50 Clydesdale superstores, which had been bought from the receiver.

The number of people employed in the core electricity business fell by 619 during the year to 5,740.

See Lex

RTZ puts mining on par with air and water

By David Blackwell

RTZ, the world's biggest mining company, was in good shape to benefit from signs of improvement in the economic outlook, Sir Derek Birkin, chairman, told the annual meeting yesterday.

Sir Derek was presenting his last AGM as executive chairman, although he will remain as chairman. He prepared for the onslaught of questions and protests from action and interest groups about RTZ activities by suggesting that "mining remains as important to every day life as the air we breathe and the water we drink".

This year the group faced a series of questions about exploration in Norway and Finland, home of the Sami people, as well as questions on South Africa, Australia, Indonesia, the Philippines and Cuba.

Sir Derek said the emerging economic consensus was that mainland Europe and Japan were set to follow the US and UK out of recession. The former countries were more important markets for RTZ, and recovery should lead to an improved trading environment.

Metal prices remained volatile, but most appeared to have stemmed their decline. In the first quarter, the Economist index of non-ferrous metals prices was about 8 per cent up on its average in the second half of last year and only 2 per cent below the average in the first half.

Earnings last year had proved resilient against a background of dismally low prices, he said, although this was to some extent mitigated by exchange rate factors. Nevertheless, he asked, how many other companies could withstand a 15 per cent decline in average dollar prices and emerge stronger?

The group had also achieved its target of about £900m from the completion of the disposal of its remaining industrial products following last year's sale of most of Pillar.

Exceptionals trim Avon Rubber 2% to £4.9m

By Peggy Hollinger

Avon Rubber yesterday sought to offer shareholders the tantalising prospect of a dividend increase for the first time in four years as it revealed lower interim profits due to further restructuring charges.

Mr Tony Mitchard, the chief executive who retires in December, said a dividend increase would be "a very live consideration in December. We are more optimistic than we have been for a long time".

The decline in pre-tax profits for the six months to April 2 was from £5m to £4.9m after taking account of £1.3m in charges due to restructuring and the loss on disposal of a subsidiary. Sales were 3 per cent ahead to £137.2m. The interim dividend is maintained at 5p, payable from earnings down from 15.1p to 10.6p.

Mr Mitchard was optimistic about the full year, saying underlying trading was improving in all but the inflatables business and France.

Although he refused to comment on the future of the inflatables business – which lost £544,000 in the first half – he has described it as non-core. Avon is widely expected to sell it this year.

The automotive components business more than doubled operating profits to £3.8m on sales ahead 24 per cent to £60m. Mr Mitchard said Avon had "learned to live" with the price pressures imposed by larger US manufacturers such as General Motors. Cadillac Automotive, the US subsidiary, improved profits by 40 per cent.

Europe had also been more lucrative than was expected, with the exception of France which continued to incur losses.

The tyre business had suffered in the first quarter, due to lower new vehicle production and price increases in October. Operating profits fell 42 per cent to £1.6m, on sales 10 per cent lower at £37.1m. Technical products operating profits fell by 22 per cent to £2.3m, against a good first half in 1993, on a 9 per cent decline in sales to £33.8m.

● COMMENT

Investors who have backed Avon's struggle over recent years will have greeted the news of yet more exceptional charges with a certain weariness. Yet even those looking to sell have been forced to a holding position by a better than expected performance from Europe and prospects of a sale of the inflatables business. Forecasts were upgraded from £13m to £14.5m for this year, leaving the shares on a prospective p/e of 14. In the shorter term, the shares are up with events. On an 18-month view, they become more attractive – assuming, that is, there are no more hefty charges.

Johnson Fry plans Euro utilities trust

By Bethan Hutton

Johnson Fry is hoping to raise up to £100m with a split capital investment trust specialising in European utility companies.

There will be two classes of share. The zero dividend preference, with an equivalent gross annual rate of 9.46 per cent, will account for 29 per cent of the capital at launch.

Ordinary income shares will account for 71 per cent and aim to provide an initial yield of 6 per cent.

They will also have some entitlement to capital gains at the end of the trust's planned 10-year life, after the 'zeros' entitlement has been met.

The public offer for the income shares closes on June 7, and that for the zeros on June 9.

First dealings are expected on June 20.

Hall Engineering in Vietnam

By Andrew Baxter

Hall Engineering (Holdings), the Shrewsbury-based steel products and automotive engineering group, has become one of the first UK companies to begin manufacturing in Vietnam.

BRC Weldmesh, the joint venture with BHP Steel International of Australia, has set up a wholly owned subsidiary in Ho Chi Minh City, Hall said yesterday.

The move is an important element in Hall's Asian strategy – it is already strongly represented in south-east Asia through associated companies in Singapore, Hong Kong and Indonesia.

Initially, BRC Weldmesh (Vietnam) is taking over production of reinforcement spacers for poured concrete from its parent plant in Singapore.

Chiroscience poised for anaesthetic link

By Daniel Green

Chiroscience Group, the biotechnology company which floated in February, said yesterday that it was likely to sign collaborations with large pharmaceuticals companies within the next few months.

The deal would be to sell levobupivacaine, Chiroscience's local anaesthetic, which has shown improved safety over standard bupivacaine in clinical trials just completed.

"The deals would probably consist of an upfront payment and a royalty arrangement," said Mr Nowell Stebbing, deputy chairman.

The company is understood to be likely to sign a deal with one of the few specialist companies in anaesthetics. They could include Sweden's Astra and Zeneca and BOC of the UK.

A product could be on sale within three years which would be initially aimed at taking a proportion of the existing bupivacaine market, worth $100m (£68m) a year. The improvements shown so far by the new drug suggest it would find customers in the wider anaesthetic market, worth $1.2bn a year in global sales, said Mr John Padfield, chief executive.

The probability of the deal was outlined at the company's annual results presentation. There were only 17 days of trading between the flotation and the end of the company's financial year, so the figures were close to what had been forecast.

The infusion of cash from the flotation took net assets to £45m, or 66p per share.

Spending on research and development more than doubled from £1.6bn to £3.7bn as the number of staff rose from 48 to 103.

Turnover, a relatively unimportant figure for young biotechnology companies, improved from £1.6m to £2m. Pre-tax losses widened to £4.27m (£1.25m); losses per share were 11.9p (6p).

NEWS DIGEST

British Linen surges

Pre-tax profits of British Linen Bank, the merchant banking arm of Bank of Scotland, showed a marked increase from £1.5m to £10.8m in the year to January 31.

Mr Eric Sanderson, chief executive, said that levels of provisioning and non-performing debt continued to drop, and the bank had seen a significant improvement in leasing and fund management.

Purchases push Lynx to £460,000

Lynx Holdings, the acquisitive computer services and leisure products company, reported pre-tax profits more than quadrupled from £105,000 to £460,000 for the six months to March 31.

Mr Roger Pinnington, chairman of this USM-quoted company, said that acquisitions contributed £312,000 to profits, including a strong performance from Financial Systems, acquired in December 1993.

Turnover improved to £7.26m (£4.72m). Overall operating margins were 8.8 per cent, compared with 5.5 per cent last time. Earnings per share were 1.15p (0.83p) reflecting the increase in shares issued for the purchases.

The interim dividend is raised to 0.36p (0.3p).

Mr Pinnington said the balance sheet had been strengthened since the year end and net assets at March 31 stood at £2.1m, including net cash of £1.4m.

Chemex Intl swings back to the black

Chemex International, the USM-traded chemical analysis company, swung from losses of £94,199 to profits of £49,046 pre-tax for the half year ended March 31.

The turnround reflected both a 28 per cent increase in turnover to £780,052 (£610,607) and the cost benefits of moving to new premises.

The improved turnover figure was largely due to introducing products to a wider marketplace. Some 40 per cent of samples came from overseas, principally from Europe, Africa and east Asia.

Earnings per share of 0.12p compared with previous losses of 0.24p. Comparative pre-tax losses took account of exceptional provisions of £43,038.

Fleming Far Eastern net assets ahead

Fleming Far Eastern Investment Trust reported net assets per share up 35 per cent, from 291.7p to 393p, at end-March.

Net revenue for the year increased from £1.77m to £2.32m, equivalent to earnings per share of 1.53p (1.17p). The dividend is stepped up from 1.1p to 1.5p.

Dunloe House cuts deficit to I£419,000

Pre-tax losses at Dunloe House Group, the Dublin-based property investor and developer, were cut from I£3.4m to I£418,866 (£407,536) for 1993. Turnover of I£942,758 compared with I£786,661.

Losses per share emerged at 2.35p (19.11p).

Commercial Union rises to £64m in first quarter

By Richard Lapper

Commercial Union yesterday reported it had shed 10 per cent of its motor insurance exposures over the past 12 months, providing further evidence that rate competition is returning to the UK motor insurance market.

The figures emerged when CU, the largest of the UK's composite insurance companies, reported pre-tax profits of £64m for the first three months of 1994, an increase of £48m on the same period of 1993.

Mr Cees Schrauwers, UK general manager, said the decision on motor business reflected "our reluctance to write business purely to defend market share". CU now insures 595,000 motorists.

The group is also reducing its exposure in parts of the London market, such as the specialist market for excess of loss reinsurance, "where premium rates are being affected by additional capacity".

Like General Accident, which reported a rise in pre-tax profits on Tuesday, CU's results were adversely affected by severe weather claims in the US, while falls in the value of equity and bond investments dented its balance sheet. Shareholders' funds amounted to £2.25bn at the end of March, compared with £2.53bn at the end of last year.

Mr John Carter, chief executive, singled out a strong performance in the UK "reflecting favourable market and weather conditions" and improved results in continental Europe as features contributing to the significantly better results in general insurance.

Overall life premiums fell to £508m (£518m). General insurance premiums rose marginally to £1.11bn (£1.09bn). Underwriting losses fell to £60m (compared with a deficit of £100m), despite a high level of weather and catastrophe claims in North America which cost £16m more than last year.

Investment income increased to £87m (£84m), after a charge for external loan interest of £5m (£7m).

Micro Focus shares surge on news of 25% advance

By Alan Cane

Shares in Micro Focus, the Berkshire-based software house, rose 242p to close at £10.65 following an encouraging first quarter which suggests the company may be successfully moving from slow growing mainframe products to fast developing networked systems.

Over the past year the share price had fallen steeply following anxieties, especially in the US, about its trading prospects in the light of a shift among customers away from mainframes.

The company made a profit before tax of £2.9m in the quarter ended April 30, a 25 per cent advance on the £2.31m recorded last time.

Revenues rose from £16.5m to £20.2m, a 24 per cent improvement. Growth in costs and expenses was held to 22 per cent. Earnings per share were 23 per cent ahead at 13.8p (11.2p).

Although Micro Focus shares are traded extensively in the US as ADRs, the company does not usually issue quarterly reports.

It said it was considering stock incentive plans for its staff; the quarterly statement complied with Stock Exchange regulations on price sensitive information in order to be able to implement these plans.

Mr Paul O'Grady, chairman, said it was an encouraging start to the year. The company had prevented further erosion in its earnings and he believed profits before tax for the second half of 1994 would be greater than the first half.

Micro Focus develops software tools which make it easier for programmers to write programs for large scale systems. Revenues from the company's core mainframe products grew only 4 per cent, but represented 39 per cent of the total, down from 47 per cent in the previous year.

There was healthy growth in networking products, where revenues grew 36 per cent to reach 37 per cent of total revenues.

Devenish purchase helps Greenalls improve to £29m

By Tony Jackson

Last year's acquisition of Devenish helped Greenalls Group, the pubs, drinks and hotel operator, to a 13 per cent rise in pre-tax profits to £29m in the six months to March 25, or 28 per cent before exceptionals.

Mr Peter Greenall, managing director, said "not only have we delivered synergies from the acquisition, but trading is above our expectations".

Beer volume through the enlarged pub estate was down 4.8 per cent. However, margins were helped by the renegotiation of brewing supply contracts, some of which took effect within the half year. Profits from pubs, including the effect of the acquisition, were up 47 per cent at £32.7m.

Profits from the Premier House range of pub restaurants, which Greenalls plans as its main target for capital investment, were up 73 per cent at £6m while those from UK hotels, the chief investment target in recent years, were up 15 per cent at £8m.

Off-licence profits were down 11 per cent at £2m, as a result of competition from supermarkets and cross-channel imports. However, off-licence turnover had risen by 3 per cent since Christmas. Profits from drinks and leisure were down 5 per cent at £2.4m.

On group sales up 21 per cent at £337m, operating profits rose 39 per cent to £49.1m. Interest charges rose sharply to £16.5m (£9.6m). There were exceptional charges of £3.8m, consisting mainly of £3.2m reorganisation costs in the drinks and leisure division, involving 60 redundancies.

Earnings per share were up 3.6 per cent at 11.66p before exceptional items and property profits, and down 7.8 per cent at 10.43p after them. The interim dividend is raised 5 per cent to 5.334p.

Greenalls' shares closed 13p lower at 462p.

● COMMENT

The market found these results slightly opaque, due to lack of information on the Devenish contribution and uncertainty on the real progress in hotels. In addition, the cash outflow of £45m in the half is slightly unsettling. However, the pre-Devenish performance is claimed by the company to be broadly represented by the 3.6 per cent rise in earnings per share. In addition, the cash outflow should fall next year as investment on hotels passes its peak. Assuming perhaps £84m pre-tax this year, the shares are on some 15 times earnings. While this does not seem unduly expensive, there is a discount due to uncertainty in a period of transition.

Airsprung sees static outcome

Directors of Airsprung Furniture, Britain's second largest bed maker, said yesterday that they were expecting profits for the 12 months to end-March to be similar to the previous year's record £6m pre-tax.

That figure, however, was below average market expectations and the company's shares fell 10p to 235p. Directors blamed the expected standstill on a poor performance by the main offshoot in the upholstery division. Nevertheless, they intend a 6 per cent increase in the total dividend.

Bigger is not necessarily better

Robert Corzine and Peggy Hollinger on Enterprise's bid for Lasmo

When Mr Graham Hearne, chief executive of Enterprise Oil, justified his hostile bid for fellow explorer Lasmo by describing oil exploration as a big boys game which required critical mass, he triggered off a chorus of criticism.

Analysts accused him of seeking size for its own sake, and pointed to the many big discoveries made by small oil companies. Many industry executives said what mattered most was the way in which companies handled their existing assets.

However, Mr Hearne's comments have brought to the surface an issue which bedevils an industry in which corporate minnows co-exist alongside the big integrated majors.

"There is a very great debate on whether size is an important issue," said Mr David Simon, chief executive of British Petroleum.

Mr Hearne said he never intended to convey the impression that Enterprise was interested in size for its own sake. But he stands by the argument that critical mass makes good industrial sense and that Enterprise, the largest UK independent, needs to be of a "size we feel necessary to deliver shareholder value".

Lasmo's defence document has to be published by Monday but it is widely expected to be out before the weekend.

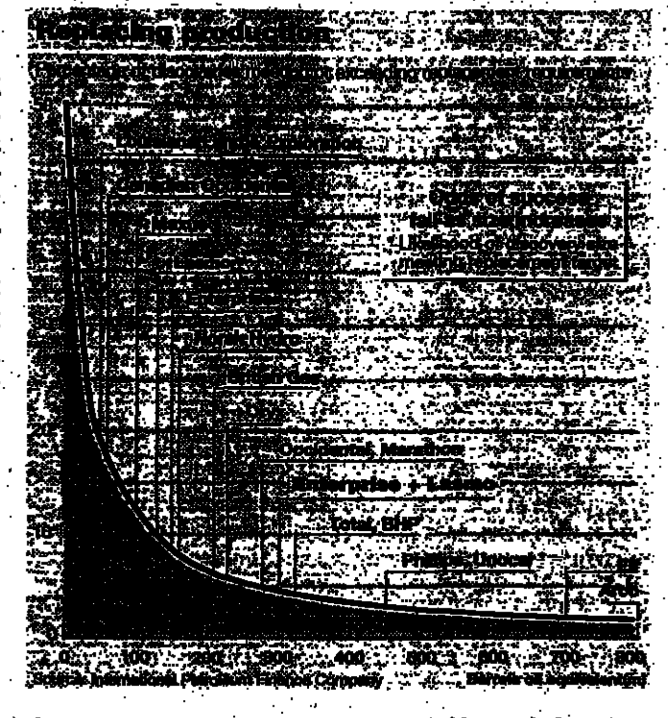
The size argument has not found many supporters among Mr Hearne's industry colleagues. "I think that aspect of Enterprise's argument is total rubbish," said one executive. "There have always been niches for different sizes of players and different skills."

Many in the industry believe the proposed deal is driven more by financial issues than industrial logic. They point out that neither company operates many of their main projects, so there is little scope for greater production efficiency.

The commercial argument, that cash-rich Enterprise is short of medium-term development prospects while cash-strapped Lasmo may not be able to fund all its potential projects, is somewhat stronger, according to analysts.

They note that revenues from Lasmo developments such as the Liverpool Bay gas project would smooth out an expected dip in Enterprise's production and cash flow later this decade as output falls from the Nelson and Scott fields.

Many industry observers, however, believe the financial constraints faced by Enterprise, from which smaller exploration and production companies are free, to be one of the most compelling reasons for the deal.



The smaller independents have always been seen as North Sea-based capital growth stocks, the price of which could soar on the back of just one strike.

Enterprise, however, is "too large to be regarded as an asset play," said one independent executive. He added that it was judged more on its dividend paying capacity in much the same way as an integrated oil major.

The head of another independent noted: "There is a lot of pressure to pay dividends, and investors want it to go up each year. To carry on paying you need to find another oil field, either through exploration or acquisition."

The only way off the dividend treadmill is to shrink the company by selling assets.

"Every oil exploration company has to shrink at times," said one executive, because of the wasting nature of oil and gas assets and because the UK company structure and tax laws make it difficult for oil companies to return capital back to shareholders in a tax efficient way.

Companies such as Exxon and BP have succeeded in downsizing, but the task of persuading shareholders that such a move can be in their interests is not easy, he added. "Investors don't understand downsizing, even though the only time you make money is when you sell."

Downstream diversification is one of the ways in which large oil companies succeed in paying progressive dividends in spite of the cyclical problems of upstream oil exploration and production.

Some in the industry feel that Mr Hearne has compounded his problems by choosing to focus on upstream exploration and production. "Most other companies have some sort of vertical integration so they can ride out the storms of the oil price by making money at the petrol pump," said the managing director of a UK independent.

Some analysts also argue that Enterprise could have realised its upstream ambitions by simply buying packages of assets, thus avoiding a costly takeover battle.

Completed asset disposals in the UK North Sea alone have totalled $1bn (£600m) since the beginning of 1993, according to analysts at Kleinwort Benson, and brokers say there is no shortage of assets for sale.

Buying packages of assets might have been more warmly greeted in the City, but it would also have taken Enterprise much longer to achieve a similar spread of business.

Many in the industry understand the pressures which have forced the hostile bid. Yet they still question the wisdom of a move which would force a whole new range of problems, such as the fact that big oil companies need to make big discoveries.

"Lasmo might make Enterprise a stronger company . . . but it does not answer the fundamental question of what to do afterwards. The challenge to replace such large reserves with reserves of equal quality is an even greater one," said one sceptical executive.

London Clubs for USM with expected price tag of £150m

By David Blackwell

London Clubs International, owner of the Ritz Club and five other London casinos, is seeking a quotation on the USM.

The group is expected to be valued at up to £150m. It will be making a £30m placing, of which £25m will be placed firm with institutions. The balance will be subject to a clawback to meet retail demand through intermediaries.

Mr Alan Goodenough, chief executive, said yesterday the group would seek a full listing next year. It was going through the USM because the management had only two years' experience of the company, and Stock Exchange rules require three years.

The change of management followed a police raid in 1991 under the Gaming Act, just days before the group's planned flotation. The Gaming Board issued new licences in autumn 1992.

The flotation later this month is expected to raise £27.5m of new money, which will be used to pay down debt incurred under the 1989 management buy-out from Grand Metropolitan.

The pathfinder prospectus shows that in the 51 weeks to March 27 the group made a pre-tax profit of £14m, compared with £9.1m in the 53 weeks to April 6 last year. Pro forma pre-tax profits for the latest period are shown as £23.1m. Turnover was £146.4m (£143.7m).

The six London casinos accounted for £123m of the turnover. The group, which also owns casinos in Europe, Egypt and operates on cruise ships, wants to use its management skills to expand overseas.

Principal shareholders include Ellerman Investments, Legal and General and Standard Chartered. The management have about 8 per cent of the equity, which will fall to about 3 per cent after the flotation.

Sponsor to the placing is Samuel Montagu and James Capel is broker.

REA Hldgs improves to £1.05m

REA Holdings, the plantation company, turned in pre-tax profits of £1.05m on turnover of £90.6m for the year to end-December.

The outcome compared with a deficit – restated for FRS 3 – of £326,000 from sales of £80.8m last time. Earnings per share emerged at 3.2p (7.6p losses).

The directors propose, subject to satisfaction of certain conditions, to pay a second interim dividend of 2p in lieu of a final for the year to end-December 1992 – making 4p for the year – and an interim dividend of 4p in lieu of a final for 1993.

If confirmed, the dividends for both years will be paid on August 31.

Shareholders may elect – subject to the necessary approval – to receive an enhanced scrip issue of new ordinary shares, credited as fully paid, to a value of 9p for every 6p to which they would be entitled were they to take the dividends in cash.

Courtaulds expands in China

By Daniel Green

Courtaulds, the chemicals company, is adding two more manufacturing joint ventures to its list of deals in the Asia Pacific region. Yesterday it announced it would be making coatings in two sites in China – Suzhou, in Jiangsu province, 80km west of Shanghai, and Shenzhen, near Hong Kong.

The company already has ventures in Singapore, Taiwan, Thailand and Indonesia. Further investments are being considered for Vietnam.

The new factory at Suzhou will make packaging coatings. Courtaulds will invest £7m in the joint venture company, Courtaulds Polymers of Suzhou. It has a 70 per cent stake with the balance held by a local company, Suzhou Resin Factory.

The factory is scheduled to be completed within one year and will supply local canners which currently buy imports.

The second joint venture is an extension of an existing arrangement in Taiwan for powder coatings between Courtaulds and Chang Cheng Chemical.

Courtaulds will be investing $2m (£1.3m) in a manufacturing site to sell the products to the expanding industries of southern China.

Correction

Elan Corporation

Elan Corporation is listed on the American Stock Exchange and not the New York Stock Exchange as reported in Tuesday's FT.

McKechnie's £28m takeover of Linread continues consolidation process

Further realignment in Midlands

By Paul Cheeseright, Midlands Correspondent

McKechnie, the plastics and metal components group, yesterday made an agreed offer worth £27.8m for Linread, the fasteners and precision components manufacturer, in a move which marks further realignment in Midlands industry.

Although neither company touches the emotional chords of the Midlands in the fashion of Rover, the carmaker, their merger continues a process of consolidation among manufacturing companies.

The pressures for consolidation have been particularly acute in the automotive components sector. "The process has been going along for the last five years and accelerating for the last year or so," commented Mr Chris Tillett, chief economist at Cooper & Lybrand, the accountants, in Birmingham.

The vehicle assemblers have both reduced the number of their component suppliers and sought to enter new relations with those which remain. Now the suppliers are expected to play a larger design and research role; they are expected continually to reduce prices and they face progressively higher quality demands.

This is not a game which the small can easily play. "Linread is not large enough to compete on the European market and the PSM (a McKechnie subsidiary) range needs to be broadened," said Mr Michael Ost, McKechnie's chief executive.

Indeed, it was the cosy fit of the two companies which McKechnie stressed yesterday. "Linread's range of engineering bolts and fasteners are complementary to the PSM range and there is a large customer base in the automotive industry," Mr Ost said.

The other side of this, as Mr Martin Booth, chief economist at the West Midlands Enterprise Board, suggested, is that McKechnie is "taking out a competitor to gather expertise from it and consolidate its own position".

Midlands manufacturers in any case have been forced to see their role as increasingly international. The vagaries of the UK economy is simply too fragile a base. So the search has been for greater strength.

Linread, its 1980s growth hampered by stock losses in the early 1990s and only now recovering its financial and manufacturing poise, has been a tiny force. "We were somewhat constrained by size," said Mr Peter Harrison, managing director. "With McKechnie, Linread's fortunes should be able to develop that much faster."

The pressures on suppliers in the automotive and aerospace industries and the growing need to view the future in international terms has created a harsher environment in a region where the bedrock of business has been the family company.

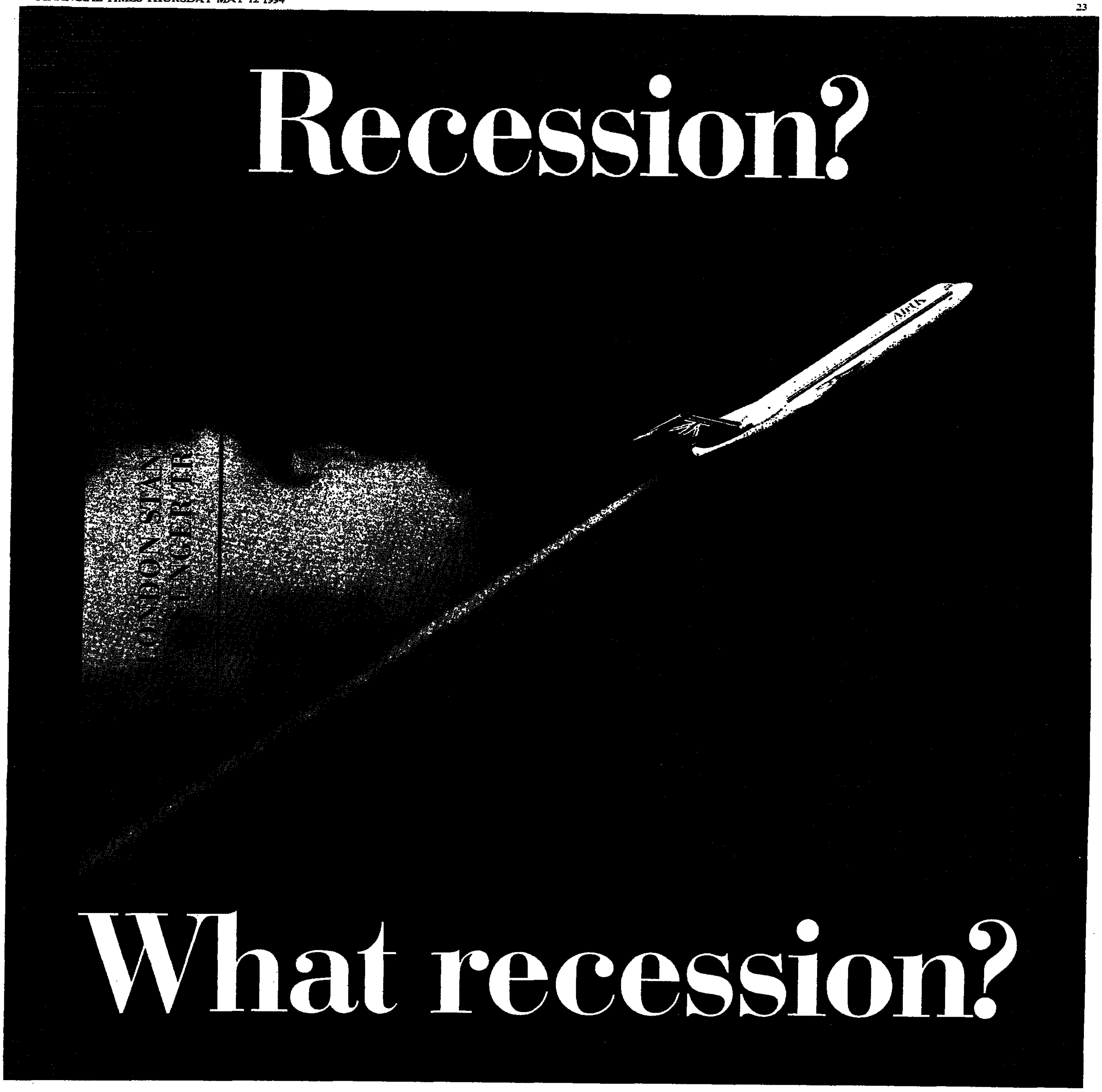
McKechnie long since moved away from that status to become a medium-sized group with, locally, a solid but low key reputation: reliable but not exciting, nor, indeed, excitable. Linread, on the other hand, still looks like a family business which happens to have a market quotation.

The Lynall and Tahany families own 22 per cent of the equity, while institutions with more than 3 per cent each hold another 40 per cent.

The need to persuade the families to sell, coupled with the tightly held equity help to explain the heavy premium above the market price which McKechnie is paying for Linread. Another factor is the McKechnie belief that Linread's recovery is taking place much faster than the market has realised. Mr Ost assured shareholders: "We believe there will be no earnings dilution in the first full year of ownership."

The terms are 17 new McKechnie shares for every 36 Linread. This values Linread at 228p, which is not only 49 per cent more than their closing price on Tuesday but also marks a substantial uplift on their lowest price this year of 95p.

Yesterday Linread shares moved up 68p to 216p, while McKechnie shares dipped 14p to 473p.



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A MORE INTELLIGENT APPROACH.

Resumed bull run pushes copper price above $2,100

By Richard Mooney

The copper market's bull run got back into gear yesterday, lifting the three months delivery price at the London Metal Exchange above $2,100 a tonne, for the first time in 13 months.

Tuesday afternoon's shakeout continued in early trading, with the three months price dipping $15 to $1,957 a tonne. But then the recent heavy speculative buying was resumed and the price quickly climbed to $2,117. The move was helped by continued tightness of nearby supplies, which was reflected in the elimination of the discount, or "contango", on nearby positions. At the close of the afternoon ring the cash price had moved to a 50 cents premium over that for delivery in three months; and the three months position's premium over December 1995 had widened to $50 from $25 on Tuesday.

By the end of after hours "kerb" trading the three months price had been trimmed by profit-taking to $2,109 a tonne, but that still represented a gain of $36 on the day.

Dealers remained convinced, however, that a sizeable downward correction was overdue following an almost uninterrupted upward run of nearly $200 over the past two weeks.

No bids for Peruvian mining giant

By Sally Bowen in Lima

The drawbacks associated with Peru's huge state-owned mining and refining concern Centromin outweigh its attractions, potential buyers decided on Tuesday, when no bids were presented at the first attempt to auction the company.

Centromin's privatisation committee had set a minimum price of $280m in cash plus secondary debt paper with face value of $60m. In addition, the buyer was to commit at least $240m in new investment to replace run-down machinery and equipment and make basic environmental improvements.

Although company officials claimed it was only one of several possible deterrents, long-term pollution seems to have been what decided at least front-runner RTZ to pull out. Centromin's central Andean mining and refining operations – in the hands of the private, US-owned Cerro de Pasco Corporation until 1974 – has been a notorious polluter for decades.

RTZ is reported to have sent, some six weeks ago, a long letter to Centromin's privatisers explaining in detail why it could not bid. That letter has not been made public but the British-based company is believed to have balked at the open-ended litigation problems that assumption of Centromin's "environmental debt" might involve in the future.

That unknown factor aside, RTZ was believed to have been extremely keen to take on the giant operation, which comprises seven production units and the largest refining complex in South America. Annual sales of minerals top $400m and private sector mining executives believe Centromin could be made "hugely profitable".

Tuesday's flop poses a major problem for the Peruvian state. Centromin is the life-line for almost 12,000 workers and literally hundreds of thousands more Peruvians in the mining-dependent central Andes.

La Oroya is also the only refinery willing and able to turn the region's typically "dirty" minerals into a world-class product. Many smaller, privately-owned mines in the depressed central Andean region depend on La Oroya to turn their minerals into saleable metals and by-products.

Mines minister Mr Daniel Hokama, who also heads Copri, the government's privatisation office, says he and Centromin officials will now reassess sale possibilities. Potential buyers – including two Mexican companies and UK-based Waverley Investment, all thought to be still interested – are to be sounded out. The base price could be reduced or the debt paper element raised.

Another alternative, previously rejected, would be to split Centromin into smaller packages. The hydro-electric plants and the Cerro de Pasco and Antamina mines would certainly find ready buyers. But the "social problem" would remain.

What nothing can be done about, at least in the short-term, is the environmental damage, acceptable even to US companies two decades ago but, for today's multinational corporations, the kiss of death.

Forecasters get together in European venture

By Alison Maitland

Commodity traders and agribusinesses in Europe are the target customers of a new company called CropSense, which plans to market crop forecasts using satellite imagery and economic models.

The company is a joint venture between the National Remote Sensing Centre of the UK, a leading supplier of agricultural information from satellites, and Cropcast of Maryland, which provides commodity forecasts to over 100,000 customers worldwide.

"The new company will provide a similar service to Cropcast but targeted on Europe," said Mr Neil Pattie, marketing communications manager of NRSC, which is 56 per cent-owned by British Aerospace.

"Reforms to the common agricultural policy limiting planted acreage, the prospect of increased production from some east European countries, and now the passage of Gatt reforms will expose Europe to world market pricing. This is likely to result in more volatile commodity prices, so accurate and timely forecast information will be of particular value."

The company, located at Farnborough, southern England, is 51 per cent owned by NRSC and 49 per cent by Cropcast. NRSC, whose turnover last year was £5.8m, has just been awarded a contract by the UK agriculture ministry for satellite imagery to check farmers' claims for support payments for their arable crops and set-aside land.

Brussels uncorks wine reform plan

By David Gardner in Brussels

The European Commission yesterday adopted a regulation aimed at draining Europe's "wine lake" once and for all, through measures to eliminate surplus output now running at about 35m hectolitres, nearly a fifth of EU production.

The new wine regime will inaugurate a second phase of the 1992 reform of the common agricultural policy, from which Mediterranean products were largely excluded.

The measures, which Brussels wants in force for the 1995-96 wine year, will offer member states a range of financial incentives designed not only to "grub up" or permanently abandon wine production, but to increase the quality of wine.

Mr Rene Steichen, EU agriculture commissioner, said yesterday "we have to act quickly and we have to spend a lot of money" to get the wine market back into balance.

Without reform, he said, the EU would spend Ecu1.5bn (£1.2bn) in 1995-96, more than half of it on distilling surplus wine. The revamped regime, he claimed, would by contrast cost Ecu1.2bn, with the bulk going on regional programmes to support permanent structural reform.

EU wine output in 1992-93 totalled 195.5m hectolitres, against a new reference target for output of 154m. The main countries affected would be Italy, dropping from 68.1m in 1992-93 to 49.7m; France, from 64.9m to 51.8m; and Spain, from 36.9m to 29.2m.

The reform offers wine producers a one-off payment of Ecu7,000 a hectare – where the average yield is 50hl a hectare – for grubbing up vineyards.

Less radical measures, ranging from the harvesting of unripe grapes to commercial and quality improvements in the sector, would attract smaller amounts, co-financed by the EU budget and member states. Where quotas were exceeded incentives would diminish proportionately.

Member states and regions within them will be able to choose how to spread the burden and what form of production control best suits them. "Member states may make a regional distribution of their national reference programme," the Commission said, but "they must do so in the case of regions which submit a programme" to Brussels.

Mr Steichen refused to be drawn on whether the financial impact of the 1992 CAP reform, plus the new changes in the pipeline, will break the farm budget in the three years from 1995 to 1997. He acknowledged that the EU was heading for an Ecu1.3bn deficit on farm spending next year, largely as a result of agri-monetary adjustments – costing Ecu1.8bn – to compensate farmers for the strength of the D-Mark and Dutch guilder.

Germany wrestles with energy puzzle

Judy Dempsey reports on the problems posed by deregulation plans

After introducing virtual monopoly structures in eastern Germany's gas and electricity sector, western Germany's utilities are now embarking on another task: finding ways to protect their position against plans by the federal government in Bonn and the European Union to deregulate the energy sector.

Yesterday the EU's working party on energy met to prepare a draft paper on deregulation of the energy sector, which is expected to be presented on May 25. At the same time, Mr Günter Rexrodt, Germany's economics ministry, is planning to use the German presidency, starting on July 1, to open up Germany's energy sector to more competition.

Mr Rexrodt has already outlined his proposals for the revision of energy policy and cartel legislation. They include the abolition of voluntary demarcation agreements and franchise agreements with utilities and local authorities; the introduction of third party access to gas grids; and cost transparency.

One of his aims is to make Germany more attractive to investors. But this would also mean eventually phasing out the Kohlpfennig, a levy paid by western German customers to the electricity companies to subsidise the coal industry. At the moment, the Kohlpfennig subsidises German coal by about DM200 (£80) a tonne to keep out coal imports, which cost about DM80 a tonne. As a result electricity prices for German industry are among the highest in Europe. Yet Mr Rexrodt, especially in an election year, cannot scrap the Kohlpfennig, which would threaten 100,000 mining jobs.

So far, Mr Rexrodt's proposals for deregulation have been sharply criticised by the opposition Social Democrats and the country's powerful energy sector. Mr Martin Weyand, head of the energy department at BGW, Germany's association for Gas and Water, says they are flawed for several reasons.

"There is no reciprocity," he argues, adding that foreign companies would be able to supply the German market but German suppliers would not have access to foreign markets.

The BGW also believes that long-term supply contracts with high take-or-pay obligations would be replaced by short-term contracts, which would not guarantee secure supplies. It argues too that the obligation to connect customers and guarantee supply would no longer be met. And finally, the BGW says it is not clear how private investors, who built the grids in the first place, would be compensated for the use of their property and services.

Yet the BGW and the German utilities, including RWE and PreussenElektra, recognise that the debate over de-regulation of the energy sector is now firmly on the agenda in Bonn, and in Brussels. The question is how the utilities will be able to maintain a position giving them exclusive demarcation rights on distribution and supply.

"The Rexrodt paper could backfire," says one energy expert. "If a company wanted to switch to another electricity supplier, in most cases the new supplier would have to supply through the network owned by the regional distributor and original supplier. The fees would be high. The company might end up even paying more."

Yet recent examples in eastern Germany have shown that foreign competitors can co-exist with domestic distributors without disrupting supplies, and at the same time give the consumer more price flexibility.

A case in point is the Anglo-American consortium headed by Britain's PowerGen and NRG of the US, which recently bought a 44 per cent stake in a power generating plant owned by VKR, a subsidiary of PreussenElektra in Schkopau, near Leipzig. Another example is Wintershall, the gas division of BASF, the chemicals group, which is investing DM5bn in building new pipelines across Germany.

"We are in here for the long term," says Mr Herbert Detharding, chairman of Wintershall. "We are slowly denting the monopoly and introducing competition. And everybody knows there's room for competition in this country." But Germany's established utilities still don't see the reason to compete. "If we have to compete, then make the playing fields level. But why change the system when the present one works."

MARKET REPORT

Coffee futures consolidate after spectacular gains

London COFFEE futures were consolidating yesterday after Tuesday's spectacular rise. The July robustas position at the London Commodity Exchange closed at $1,905 a tonne, down $31 on the day $45 above the day's low. "There was a bit of a panic this morning, but it looks as though we might consolidate here for a while," one trader said.

COCOA prices remained under pressure but were helped later in the day by a steadier New York market. The July contract closed at £921 a tonne, down £9, after slipping earlier to £912.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1300.5-1.5	1328.5-9.5
Previous	1305.5-6.5	1333-4
High/low	1305/1304.5	1334/1326
AM Official	1305-5.5	1333-3.5
Kerb close		1329-30
Open int.	248,196	
Total daily turnover	34,869	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1315-20	1330-5
Previous	1315-25	1330-40
High/low	-	1330
AM Official	1315-20	1330-5
Kerb close		1325-35
Open int.	3,923	
Total daily turnover	695	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	465-6	482-3
Previous	462.5-3.5	479-80
High/low	-	484/478
AM Official	458-60	475-6
Kerb close		477.5-78.0
Open int.	35,682	
Total daily turnover	4,254	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5740-50	5820-5
Previous	5760-5	5835-40
High/low	5735	5840/5750
AM Official	5734-5	5815-20
Kerb close		5800-10
Open int.	57,405	
Total daily turnover	12,518	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5380-90	5440-50
Previous	5383-8	5445-50
High/low	5393	5455/5425
AM Official	5383-5	5445-8
Kerb close		5410-15
Open int.	16,737	
Total daily turnover	3,892	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	946.5-7.5	969-9.5
Previous	944.5-5.5	966-7
High/low	944	971/963
AM Official	944-4.5	967-7.5
Kerb close		969-70
Open int.	101,769	
Total daily turnover	15,610	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2109-11	2109-10
Previous	2076.5-7.5	2080-0.5
High/low	-	2117/2080
AM Official	2100-2	2101.5-2.0
Kerb close		2107-9
Open int.	193,286	
Total daily turnover	103,502	

■ LME AM Official £/$ rate: 1.4870
LME Closing £/$ rate: 1.4905

Spot:1.4915 3 mths:1.4901 6 mths:1.4897 9 mths:1.4888

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
May	98.45	+2.25	98.85	98.00	3,124	10
Jun	98.10	+2.00	98.50	97.80	1,074	11
Jul	98.00	+2.00	98.75	97.70	43,768	313
Aug	97.50	+1.80	-	-	437	1
Sep	97.00	+1.80	97.65	96.90	6,167	8
Oct	96.65	+1.70	-	-	202	-
Total					27,864	467

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv.
Close	382.70-383.10	
Opening	378.50-378.90	
Morning fix	378.50	253.942
Afternoon fix	380.50	253.455
Day's High	383.20-383.60	
Day's Low	376.30-376.70	
Previous close	380.00-380.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.00	6 months	4.53
2 months	4.11	12 months	5.00
3 months	4.22		

Silver Fix	p/troy oz.	US cts equiv.
Spot	353.30	526.50
3 months	357.85	532.80
6 months	362.15	539.10
1 year	372.65	554.70

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	257-260
Maple Leaf	392.25-394.75	-
New Sovereign	88-91	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	381.8	+3.0	-	-	-	-
Jun	382.7	+2.9	384.8	379.3	76,819	23,567
Jul	384.1	+3.0	-	-	-	-
Aug	385.6	+3.0	387.4	382.0	18,047	1,132
Oct	388.8	+3.0	390.1	386.7	4,965	229
Dec	392.2	+3.1	394.6	389.0	14,312	250
Total					142,038	26,189

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	401.1	+5.8	402.9	394.1	16,295	1,633
Oct	403.4	+5.8	404.4	397.0	2,586	68
Jan	404.9	+5.8	407.0	402.0	958	125
Apr	406.4	+5.8	-	-	937	12
Total					20,774	1,838

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	136.50	+1.40	136.75	134.00	2,566	522
Sep	136.35	+1.40	134.50	-	1,859	139
Dec	136.35	+1.15	137.00	-	622	-
Mar	135.85	+1.15	-	-	6	-
Total					5,053	661

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	543.4	+15.3	547.5	529.0	776	839
Jun	544.4	+15.3	-	-	3	2
Jul	547.0	+15.3	551.0	531.5	80,678	19,563
Sep	552.1	+15.4	556.5	536.0	8,117	336
Dec	559.8	+15.5	564.0	544.0	11,664	218
Jan	561.9	+15.5	-	-	32	-
Total					114,917	21,142

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	17.80	+0.19	17.84	17.51	110,501	57,869
Jul	17.38	+0.14	17.40	17.10	84,115	38,548
Aug	17.11	+0.07	17.17	16.92	38,515	14,113
Sep	16.98	+0.08	17.00	16.82	28,865	13,602
Oct	16.96	+0.07	16.98	16.80	17,364	2,564
Nov	16.95	+0.08	16.95	16.79	12,459	1,892
Total					436,239	143,465

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	16.10	+0.08	16.16	15.90	61,531	28,776
Jul	15.91	+0.08	15.97	15.73	58,843	20,428
Aug	15.80	+0.08	15.85	15.65	19,753	6,052
Sep	15.78	+0.10	15.78	15.62	12,854	1,880
Oct	15.64	-0.08	15.64	15.60	5,724	422
Nov	15.73	+0.01	15.73	15.64	4,601	614
Total					170,634	58,950

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	47.90	+0.08	48.10	47.45	44,188	11,237
Jul	48.20	+0.08	48.30	47.75	32,283	3,125
Aug	48.70	+0.03	48.80	48.35	13,604	1,684
Sep	49.70	+0.03	49.80	49.25	11,156	1,091
Oct	50.20	-0.17	50.30	50.30	6,871	65
Nov	51.35	+0.03	51.35	51.10	5,442	391
Total					142,857	21,388

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	152.50	-0.50	152.60	151.50	17,443	7,218
Jun	151.50	-0.75	151.75	151.00	31,068	7,042
Jul	152.00	-0.75	152.60	151.50	18,156	2,812
Aug	153.00	-1.25	153.50	153.00	6,830	386
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	1.880	-0.040	1.895	1.840	17,720	7,408
Jul	2.010	-0.034	2.045	2.005	14,389	1,046
Aug	2.035	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	2.070	-0.024	2.080	[illegible]	[illegible]	[illegible]
Oct	2.130	-0.024	2.145	2.125	7,671	221
Nov	2.225	-0.018	2.240	2.220	6,846	468
Total					117,259	13,719

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	49.90	-0.49	50.25	49.30	39,937	21,115
Jul	50.55	-0.43	50.70	49.85	27,713	8,559
Aug	50.65	-0.25	50.75	50.05	12,322	3,332
Sep	50.28	-0.12	50.40	49.90	5,662	1,164
Oct	48.75	-0.10	48.75	48.60	2,532	390
Nov	47.75	-0.25	47.75	47.75	2,274	266
Total					93,921	35,322

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	113.15	-1.10	113.75	113.25	266	33
Jun	112.90	-1.25	113.75	112.75	696	104
Sep	98.85	-0.05	98.75	98.60	501	45
Nov	99.85	-	99.85	99.30	1,817	81
Jan	101.75	-0.20	-	-	1,202	-
Mar	103.60	-0.10	103.20	-	365	10
Total					5,085	289

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	318/4	+2/0	320/0	316/4	695	135
Jul	321/6	-	323/6	321/4	137,305	57,330
Sep	325/4	-	327/4	325/4	34,485	9,825
Dec	336/0	+0/6	337/4	335/4	38,485	9,300
Mar	340/4	+1/6	340/6	338/4	2,925	945
May	336/4	+0/6	-	-	250	100
Total					214,975	77,430

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	257/6	+1/0	258/4	255/4	21,080	10,030
Jul	258/4	+1/0	259/0	255/6	670,800	110,675
Sep	250/4	+0/6	252/0	247/6	167,430	13,410
Dec	244/0	+0/6	245/4	240/4	387,675	5,260
Mar	251/4	+0/6	253/0	248/6	41,020	705
May	255/6	+0/6	258/4	253/0	4,785	2,166
Total					1,313M	298,800

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.50	-	-	-	57	-
Sep	97.00	-	-	-	141	-
Nov	98.75	-0.15	-	-	199	-
Jan	100.25	-	-	-	30	-
Mar	101.70	-	-	-	10	-
May	103.75	-	-	-	5	-
Total					442	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	668/6	+3/6	671/0	663/0	17,465	5,950
Jul	667/0	+4/0	669/6	660/0	324,500	140,080
Aug	660/6	+3/2	663/6	654/4	68,035	8,950
Sep	635/0	+2/4	638/0	629/4	35,825	3,750
Nov	615/0	+0/6	618/2	610/0	220,030	40,840
Jan	621/6	+1/2	624/0	617/4	21,545	470
Total					705,485	200,875

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	28.76	+0.28	28.88	28.48	4,045	1,399
Jul	28.65	+0.25	28.81	28.40	38,414	8,499
Aug	28.41	+0.33	28.53	28.10	12,501	922
Sep	27.84	+0.36	27.95	27.55	10,680	937
Oct	26.82	+0.32	27.00	26.55	7,970	386
Dec	26.08	+0.40	26.20	25.68	15,703	1,506
Total					93,592	13,743

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	188.9	+1.7	187.0	184.7	1,500	1,404
Jul	187.7	+1.0	187.8	186.0	37,308	10,040
Aug	186.5	+0.5	186.9	185.5	13,600	1,716
Sep	184.3	-	184.5	183.5	8,854	351
Oct	181.1	-0.2	181.4	180.1	5,135	304
Dec	179.8	-0.2	180.3	179.0	17,004	866
Total					86,306	14,889

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	262.5	-	-	-	2	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	137.3	+0.03	138.0	136.9	520	23
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					529	23

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
May	1478	-12	1495	1480	1,006	56
Jun	1369	-26	1395	1370	594	39
Jul	1263	-27	1280	1265	868	25
Oct	1369	-6	1370	-	342	5
Jan	1385	-8	1385	-	175	10
Apr	1395	+5	-	-	46	-
Total					[illegible]	[illegible]

	Close	Prev
BFI	1477	1485

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	886	-11	886	886	137	3
Jul	921	-9	927	912	21,257	1,417
Sep	939	-8	942	929	14,328	680
Dec	961	-7	967	952	22,168	587
Mar	983	-6	986	974	27,704	494
May	996	-7	996	992	10,344	42
Total					107,012	3,250

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1222	+39	-	-	48	6
Jul	1245	+39	1247	1188	37,418	5,685
Sep	1271	+43	1273	1210	14,685	1,578
Dec	1306	+38	1307	1250	8,934	71
Mar	1337	+36	1305	1286	10,658	58
May	1366	+36	-	-	4,903	78
Total					88,664	7,632

■ COCOA (ICCO) (SDR's/tonne)

May 10	Price	Prev. day
Daily	936.28	938.97
10 day average	n/a	n/a

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1965	-40	1985	1945	1,416	322
Jul	1905	-31	1915	1860	17,379	3,894
Sep	1863	-21	1870	1822	14,809	1,933
Nov	1836	-30	1840	1799	5,800	1,274
Jan	1823	-26	1827	1787	5,816	619
Mar	1800	-11	1812	1765	2,097	185
Total					47,378	8,840

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.65	-2.25	108.00	108.65	187	149
Jul	107.15	-2.45	110.20	106.00	33,674	13,847
Sep	106.80	-2.30	109.75	106.00	14,076	3,038
Dec	106.15	-2.00	109.00	105.25	7,339	1,391
Mar	105.25	-2.75	108.50	105.25	3,300	320
May	105.50	-2.25	106.75	105.50	440	69
Total					59,304	18,818

■ COFFEE (ICO) (US cents/pound)

May 10	Price	Prev. day
Comp. daily	104.34	100.85
15 day average	88.40	86.77

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.60	+0.46	12.60	12.37	2,606	30
Oct	12.38	+0.47	12.38	12.05	566	10
Jan	11.82	-	-	-	-	-
Mar	11.80	+0.39	-	-	-	-
Total					3,773	40

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	340.80	+6.30	344.50	335.00	12,234	1,570
Oct	320.60	+6.30	323.50	314.80	7,279	762
Dec	311.80	+4.80	313.00	307.50	512	48
Mar	309.40	+5.40	310.00	304.80	1,342	202
May	309.80	+5.30	-	-	201	-
Aug	313.10	+5.30	-	-	215	-
Total					21,787	2,582

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.26	+0.43	12.29	11.83	50,434	7,947
Oct	12.11	+0.49	12.16	11.63	35,492	2,117
Mar	11.68	+0.35	11.70	11.36	16,851	797
May	11.60	+0.34	11.60	11.41	2,520	21
Jul	11.58	+0.34	11.58	11.37	1,300	-
Oct	11.55	+0.32	-	-	499	40
Total					107,136	10,931

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	80.19	-0.64	81.00	79.25	940	-
Oct	75.95	+0.02	76.25	75.00	25,187	8,676
Dec	74.25	-0.17	74.80	73.75	4,853	954
Mar	75.20	-0.05	75.65	74.75	19,358	4,273
May	75.74	-0.26	76.00	75.25	2,016	381
Jul	76.10	-0.25	76.35	76.10	789	88
Total					[illegible]	14,381

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,653
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	231
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

COTTON

Liverpool- Spot and shipment sales amounted to 167 tonnes for the week ended 6 May against 149 tonnes in the previous week. Improved demand brought moderate purchases mainly in American descriptions. Central Asian and African growths made some headway.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 11	May 10	month ago	year ago
1909.7	1902.7	1816.1	1671.8

■ CRB Futures (Base: 4/9/56=100)

May 10	May 9	month ago	year ago
224.94	226.51	222.63	208.05

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	68.950	+0.700	69.150	68.700	27,092	7,751
Aug	68.250	+0.425	68.475	68.100	17,021	4,085
Oct	70.700	+0.500	70.800	70.475	12,136	1,220
Dec	71.690	+0.400	71.875	71.300	8,447	802
Feb	72.300	+0.775	72.300	71.800	3,604	346
Apr	73.500	+0.875	73.500	73.050	1,684	83
Total					70,431	14,889

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	49.725	+0.775	49.875	49.150	14,153	2,747
Jul	50.125	+0.575	50.200	49.750	7,849	2,090
Aug	48.600	+0.500	48.875	48.350	3,766	672
Oct	44.450	+0.550	44.675	44.200	2,521	213
Dec	45.000	+0.300	45.250	44.950	2,547	84
Feb	45.075	+0.225	45.300	45.000	537	13
Total					31,383	5,847

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	47.850	+0.950	47.700	46.000	278	10
Jul	46.775	+0.175	47.350	46.200	5,734	1,456
Aug	44.900	+0.100	45.400	44.200	1,632	280
Feb	51.500	+0.825	51.700	50.750	246	36
Mar	49.800	-	-	-	22	2
May	52.450	+0.000	52.450	-	13	2
Total					7,925	1,782

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1250	83	116	9	20
1300	48	83	24	36
1350	24	56	50	56
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2050	95	110	30	80
2100	65	84	50	84
2150	43	63	77	111
■ COFFEE LCE	Jul	Sep	Jul	Sep
1500	407	384	2	21
1550	358	343	3	30
1600	311	304	6	41
■ COCOA LCE	Jul	Sep	Jul	Sep
875	55	82	9	18
900	38	65	17	26
925	25	51	29	37
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1550	-	105	1	16
1600	11	71	2	-
1650	-	45	12	-

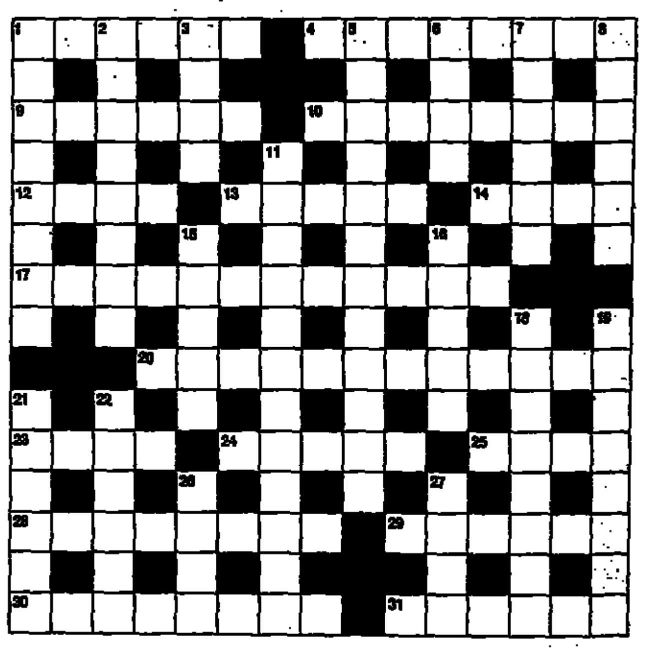
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)		+or-
Dubai	$14.53-4.67y	-0.10
Brent Blend (dated)	$16.11-6.13	-0.09
Brent Blend (Jun)	$16.04-6.06	-0.06
W.T.I. (1pm est)	$17.74-7.76y	+0.105
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$179-181	
Gas Oil	$151-153	-0.5
Heavy Fuel Oil	$82-84	+1.5
Naphtha	$154-156	+0.5
Jet Fuel	$165-167	
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$382.90	+2.70
Silver (per troy oz)♣	545.50c	+9.00
Platinum (per troy oz.)	$393.50	-2.00
Palladium (per troy oz.)	$134.50	-1.25
Copper (US prod.)	101.00c	-1.00
Lead (US prod.)	36.13c	
Tin (Kuala Lumpur)	14.20r	
Tin (New York)	249.50c	-1.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	126.33p	+1.54*
Sheep (live weight)†♦	148.24p	-4.96*
Pigs (live weight)	80.98p	+4.47*
Lon. day sugar (raw)	$265.20	-1.10
Lon. day sugar (wte)	$314.50	+0.50
Tate & Lyle export	£304.00	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£136.50	
Wheat (US Dark North)	£180.0z	
Rubber (Jun)¥	72.00p	+0.25
Rubber (Jul)¥	72.25p	+0.25
Rubber (KL RSS No1 Jun)	259.00m	-0.50
Coconut Oil (Phil)§	$587.5z	+7.5
Palm Oil (Malay)§	$477.5y	
Copra (Phil)§	$371.0	
Soyabeans (US)	£193.0y	
Cotton Outlook A index	85.60c	+0.65
Wooltops (64s Super)	402p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jul/Aug. y Jun. w May. x Apr/May. ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,451 Set by QUARK



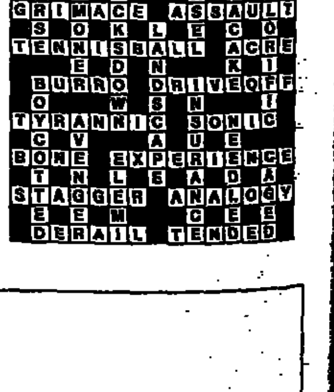
ACROSS

1 Gloomy bit of oratory in code (6)
4 Man, we hear, flying (no learner) is elevating (8)
9 PE plus exercising makes one pliant (6)
10 Final performance recorded by the lake? (4,4)
12 Plenty of space back in the open country (4)
13 Political group's social activity (5)
14 The beak's account (4)
17 This is not the best side (6,6)
20 Colleague follows term of mathematics in a fragmented way (12)
23 Animal support (4)
24 Small fish in boisterous revel (5)
25 Stone heads of old peers and lords (4)
28 Horse could be in front of it (old joke) (8)
29 Alma's a strange form of salutation (6)
30 Is it from the main stable? (3,5)
31 Middle of that gun to move quickly (6)

DOWN

1 The motorway's hard to pound down. What a mix up! (8)
2 Criticise salesman with fish (8)
3, 5 Shop's little room, say, further along the stream (4,4,3,5)
6 Some aperitif I note? (4)
7 One man in charge is sarcastic (6)
8 Joke leg-breaks for a disorderly group (6)
11 They're no oil paintings! (13)
15 Record guard losing head (5)
16 A number undergoing live celebration (5)
18 Old size for paper – white or pink? (8)
19 People support broken-down c-clay for this plant (8)
21 The primitive adder (6)
22 TV equipment arrived with the artist (6)
26 German cotton with no fringes (4)
27 Girl on a festive occasion (4)

Solution 8,450



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares unsettled by the Bank's inflation report

By Terry Byland, UK Stock Market Editor

Any benefit from the Bundesbank's reduction in both its key interest rates yesterday was counterbalanced, as far as the London stock market was concerned, by the Bank of England's warning on inflation pressures in the UK. Share prices opened higher as London tried to follow other European bourses in anticipating the Bundesbank rate cuts. But London had already turned off before the Bundesbank announcement and recovered only part of its fall by the close of business.

With most European centres now closed until Friday for the Ascension Day break, London drifted in late trading, wary of a move by the Federal Reserve to tighten credit policy. The Dow Jones Industrial Average was looking weak when London closed for the day.

The continued nervousness of the London market was reflected in a near 26-point swing in leading indices. The FT-SE 100 Index, up 11.4 initially and down 14.2 later, ended at 3,130.5 for a net loss of 5.8.

The Bank of England's inflation report was seen by some commentators as a warning that the next move in domestic interest rates could be upwards and might not be long delayed. Equities soon reversed their early advance, shrugging off gains in UK government bonds and sterling, both of which responded favourably to the Bank's comments.

Also discouraging for the stock market was the disclosure of sharp, and wholly unexpected, falls in UK industrial and manufacturing output in March. While analysts hastened to stress that one month's data can be unreliable and that the underlying trend of output remains upwards, the announcement sat badly with the Bank's warning on inflation and interest rates. Any combination of a faltering economy and renewed inflation would be sad news for the stock market.

Company news was mostly positive for the market, although the individual shares concerned could not shrug off the market trend. Higher dividend payments from J. Sainsbury and Royal Bank of Scotland sustained optimism on dividend growth among UK companies. Speculative activity was also seen, with the Lasmo/Enterprise Oil situation attracting attention again.

The broader range of the market followed the trend in the blue chip stocks, leaving the FT-SE Mid 250 Index with a decline on the day of 10.8 at 3,742.5.

Seaq volume increased slightly to 744.2m shares from Tuesday's 728.9m, worth £1.34bn in retail business. Retail, or genuine investment business, has remained good in spite of recent uncertainties.

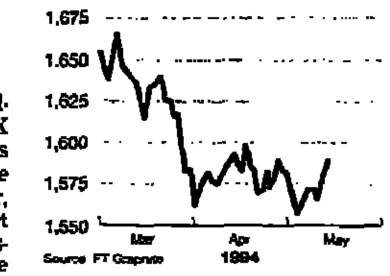
There were sharp losses among the building and construction issues, regarded as particularly vulnerable to any threat of higher UK interest rates. Some dollar stocks were helped by the strength of the US currency. Oil shares, however, turned dull, with Shell Transport unable to make progress after disclosing trading figures much in line with expectations.

The London market is likely to remain in slack water today, waiting for the rest of Europe to reopen on Friday morning, and fearful that the US data on retail sales, producer prices and jobless claims, may provoke a move today from the Federal Reserve. Friday will bring further important figures on the US economy and the following Tuesday sees the next meeting of the Federal Reserve Open Market Committee – another danger point for global interest rates.

Account Dealing Dates		
*First Dealings:		
Apr 25	May 16	Jun 6
Option Declarations:		
May 12	Jun 2	Jun 16
Last Dealings:		
May 13	Jun 3	Jun 17
Account Day:		
May 23	Jun 13	Jun 27

*New time dealings may take place from two business days earlier.

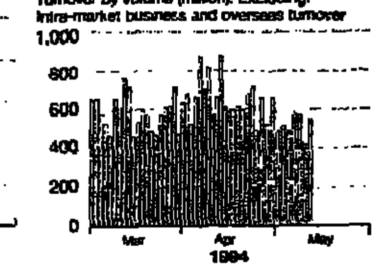
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3130.5	-5.8	FT Ordinary index	2491.8	-8.3
FT-SE Mid 250	3742.5	-10.8	FT-SE-A Non Fins p/e	20.45	(20.49)
FT-SE-A 350	1586.5	-3.3	FT-SE 100 Fut Jun	3133.0	-11.0
FT-SE-A All-Share	1578.05	-3.18	10 yr Gilt yield	8.30	(8.35)
FT-SE-A All-Share yield	3.68	(3.67)	Long gilt/equity yld ratio:	2.30	(2.32)

Best performing sectors		Worst performing sectors	
1 Electricity	+1.2	1 Building Materials	-2.5
2 Extractive Inds	+1.2	2 Building & Const	-2.2
3 Retailers, Food	+1.1	3 Tobacco	-1.6
4 Water	+0.8	4 Insurance	-1.2
5 Media	+0.8	5 Transport	-1.1

Tornado hints lift BAe

Defence and industrial giant British Aerospace (BAe) rose strongly on reports that it was about to announce a lucrative Tornado fighter aircraft order. There were also positive reports from an analysts' visit to the company's defence operations. The shares closed 23 ahead at 499p after volume of 6m.

Rumours that BAe was about to sign a contract with the UK Ministry of Defence to upgrade the Tornado aircraft swept through the market in the last hour of trading, further strengthening an already impressive performance by the shares.

Earlier, the stock had moved against the trend as favourable reports filtered back to London from a two-day tour of the group's defence operations by City analysts. One specialist said: "It has become clear that profits from the defence division will rise significantly over the next few years."

Confidence was further boosted by Tuesday's confirmation that Canada is to buy 35 Airbus aircraft worth £950m. BAe is a 20 per cent stakeholder in the Airbus consortium and builds the wings for the aircraft.

Kingfisher upset

Shares in high street retailer Kingfisher fell sharply as rumours circulated of a large derivatives trade, said to have been undertaken by Swiss Bank, and possibly linked to a potentially large sale of Kingfisher shares next month.

The possibility of a sale arises because, according to dealers, one third of the 68m Kingfisher shares used last year to purchase Darty, the French electrical retailer, can be sold by the holders from June 3.

However, stores analysts said the chances of the French institutions which hold the shares – which includes the company's family and workforce, as well as some institutional investors – all deciding to sell the stock at the same time must be highly unlikely. However, the Swiss Bank story unnerved the stock, which ended 17 off at 572p, albeit in moderate turnover of 2.1m.

Standard strong

The recent decline in Standard Chartered shares was arrested yesterday as the stock outpaced the rest of the bank sector and the FT-SE 100 Index following presentations to Scottish institutions.

Standard shares, which reached a peak of 359p in February, fell to 232p on Monday, but accelerated yesterday to post a 21½ gain at 259½p, a rise of 9 per cent on the session. Turnover of 5.6m shares was well above recent levels of activity.

Dealers said the shares began to move ahead at the outset of trading, helped by the 4 per cent jump by the Hong Kong stock market. And the presentations by Standard's Chief Executive, Mr Malcolm Williamson, to the Scottish institutions, hosted by Cazenove, Standard's broker, coupled with a general feeling that the stock had been oversold, triggered the big surge.

There were mixed fortunes for J. Sainsbury, the UK's biggest supermarket operator, the shares enduring a rollercoaster session. At the unveiling of its full-year results, the stock moved smartly forward as analysts interpreted the company statement on steady margins positively.

But at the post-results meeting, analysts complained that the margin issue – a crucial test of financial well-being in the food retail sector – was not clarified by the company's management. There was also said to be confusion over a number of other matters, the result being that Sainsbury shares slid as analysts returned to their desks.

More positive consideration towards the close helped the shares steady but still left them adrift 2½ at 389p. Turnover was a hefty 17m. But the figures contained enough to lift other retailers, Tesco adding 7 to 235½p on 16m traded and Asda climbing 2½ to 59p with 23m turned over.

Takeover target Lasmo moved higher by 2½ to 154p as the market picked up hints that a cash alternative to the all-paper offer from Enterprise Oil or a straightforward counter-bid from elsewhere could be imminent.

The rise in the Lasmo share price took place in the face of a fall in Enterprise shares of 7 to 440p, amid hints that Philips & Drew Fund Management, which has been increasing its stake in Lasmo in recent weeks, has been reducing its holding in Enterprise.

Rumours of an impending cash bid for Lasmo swept the London market in mid-session yesterday with dealers reporting the "same old names" as about to swoop. The same old names include Atlantic Richfield, the US group and France's Total.

BPB, the plasterboard manufacturer, and RMC, the cement/aggregrates group, both fell heavily as dealers pondered the prospect of a move by Lafarge Coppee, the French plasterboard and building materials group, into the East German market. BPB shares plunged 19 to 304p and RMC 22 to 852p.

Bank shares, among the market's worst performers this year, came in for strong support from two areas. Goldman Sachs, the US investment bank said the sector offered good value at current levels, while Collins Stewart, the UK broker, was said to be recommending HSBC. The latter edged up 7 to 731p.

Royal Bank of Scotland dropped 12½ to 428p on exceptionally heavy turnover of 11m, as short term speculators took profits after the interim figures.

Royal Insurance retreated 10 to 258p amid worries that the companies first quarter numbers due this morningcould prove a big disappointment to the market following some big bad weather losses.

Carlton Communications eased a penny to 912p with Nomura International reiterating a cautious stance.

Chemicals group Croda International and electronics group Eurotherm eased a penny apiece to 450p and 372p with some dealers saying they were overvalued.

USM-listed Phonelink shed a further 28 to 370p as scrappy selling drove down the price of the tightly traded stock.

Reuters Holdings jumped 14½ to 499½p reflecting the easing of pressure imposed by the recent Abu Dhabi Investment Authority stake sale.

RTZ rose 12 to 849p after the annual meeting. Shares in precision components manufacturer Linread jumped 63 to 216p after the bid from McKechnie, 13 off at 474p.

MARKET REPORTERS: Steve Thompson, Christopher Price, Peter John, Joel Kibazo.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (36).

BANKS (1) Mitsubishi Tst. & Bkg., BUILDING & CNSTRN (4) Brandon Hire, Edmond, Shorco, Soandes, BLDG MATLS & MCHTS (2) Epwin, Roskel, DISTRIBUTORS (3) Acal, Densmans Elect., REA, ELECTRNC & ELECT EQUP (1) Control Tech., ENGINEERING (4) ASW, Chamberlin & Hill, Linread, Spirax-Sarco, ENG. VEHICLES (1) Volvo, EXTRACTIVE INDS (1) Cons. Murchison, FOOD MANUF (2) Linton Park, Moran, INVESTMENT TRUSTS (2) INVESTMENT COMPANIES (1) LEISURE & HOTELS (1) Northern, MEDIA (2) Euromoney, Metal Bulletin, OIL EXPLORATION & PROD (3) Bridge, Cairn, Tullow, OIL, INTEGRATED (1) Total, OTHER FINANCIAL (1) Camellia, PRTNG, PAPER & PACKG (1) Kleerlok, RETAILERS, GENERAL (2) Austin Reed, Body Shop Intl., SUPPORT SERVS (2) Hawtal Whiting, Page (M), TEXTILES & APPAREL (1) Bridport-Gundry, AMERICANS (2) SOUTH AFRICANS (1)

NEW LOWS (86).

BANKS (2) ABN Amro, Abbey Natl., BREWERIES (1) Haldn, BUILDING & CNSTRN (14) BLDG MATLS & MCHTS (17) CHEMICALS (1) McLeod Russel, DISTRIBUTORS (1) Gardiner, DIVERSIFIED INDLS (1) Harrisons & Crosfield, ELECTRNC & ELECT EQUP (3) Business Tech., Grasby, Kode Intl., ENGINEERING (5) Ferrum, GBE Intl., Hall, Hunting 8¾pc Prf., Locker (T), EXTRACTIVE INDS (1) Niugini, FOOD MANUF (2) Cranswick, Nestlé, HEALTH CARE (1) Intercare, HOUSEHOLD GOODS (2) Airsprung, Liliput, INSURANCE (3) INVESTMENT TRUSTS (5) INVESTMENT COMPANIES (2) LIFE ASSURANCE (1) MEDIA (3) EMAP, News Intl., Scottish TV, MERCHANT BANKS (1) Hambros 7½pc Prf., OIL EXPLORATION & PROD (2) Ramco, Seafield, OTHER FINANCIAL (3) Christie, London Forfaiting, Sharelink Inv., PHARMACEUTICALS (1) Celltech, PRTNG, PAPER & PACKG (3) Crest, NMC 7¼pc Prf., Plysu, PROPERTY (5) Derwent Valley, Ex-Lands, Five Oaks Invs., Gt. Portland Ests. 9½pc 2002, Tops Estates, RETAILERS, FOOD (2) Shoprite, Tesco Capital 9pc Bd. 2005, RETAILERS, GENERAL (1) Sothebys A, SUPPORT SERVS (3) Elec. Data, Prime People, Rentokil, TELECOMMUNICATIONS (2) British Telecom, GN Great Nordic, TEXTILES & APPAREL (2) Jones Stroud, Leslie Wise, TRANSPORT (6) AB Ports, British Airways, Do Cap. 9¼pc Cnv., Forth Ports, NFC, Sea Containers.

EQUITY FUTURES AND OPTIONS TRADING

Fears over UK inflation dampened enthusiasm in stock index futures, although expiry in traded options led to active trading, *writes Joel Kibazo.*

The first trade in the June contract on the FT-SE 100 was struck at 3,147, in line with underlying cash. Early buying saw it move slowly forward, with sentiment encouraged by favourable trading in other European markets. However, a cautious Bank of England report on inflation checked a sharp move ahead.

The announcement of a reduction in German interest rates led to a flurry of buying activity and June rose to the day's peak of 3,154. But the buying soon faded, leaving the contract to drift lower, as dealers once again focused attention on the prospect of an increase in UK interest rates following the report on inflation.

June ended at 3,133, down 11 from its previous close and just ahead of its fair value premium to cash of about 3 points. Volume fell to 13,872.

The expiry of the May stock options brought a sharp rise in turnover in the traded options. The closing total stood at 55,430 lots, with a mere 9,631 dealt in the FT-SE 100 option and 3,444 in the Euro FT-SE contract.

Among the stock options, bid target Lasmo saw 5,936 traded, followed by British Steel with 5,256 contracts. BAT Industries had business of 3,963 lots and Tesco 2,619.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	3147.0	3133.0	-11.0	3154.0	3121.0	13872	52111
Sep	3160.0	3149.0	-11.0	3160.0	3153.0	7	1420
Dec	-	3161.0	-12.0	-	-	0	201

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	-	3750.0	-5.0	-	-	0	3878

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	-	3747.5	-	-	-	-	891

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3129) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
May	187½	1½	138½	3½	92½	8	53	18½	25	40	8½	78½	2	127½	½	177½
Jun	195½	16½	154½	24	118	37	86	54½	59½	76½	38½	106	22	142	12	183½
Jul	214	26½	175	37½	139½	51½	109	70½	81	93	60½	122½	42	155	29½	193
Aug	237	42	199½	55	163	69	133½	89½	109½	111	83	139½	62½	170	47½	206
Dec†			251½	100			192	137			140	184½			94½	240

Calls 5,985 Puts 3,286

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
May	160½	2½	114½	5½	70	11½	36	28	14½	55½	4½	86	1	41½	½	191
Jun	174	17	135	28	100½	43	71½	64	48	89½	30½	122	18	159	9½	200½
Jul			159½	43			95	80			51½	135½			24½	207½
Sep			182½	70½			132	108½			84½	159			51	229½
Dec†			234	102½			176	141			127	189			89½	249

Calls 1,625 Puts 1,819 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3750		3800		3850	3900	3950	4000	4050	4100
May	34	37	16	70	6½	2½				

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	23,000	59	+2½
Abbey National†	4,900	411	-10
Albert Fisher	1,300	57	
Allied-Lyons†	1,200	588	-2
Anglian Water	459	459	+7
Argos	454	356	-6
Argyll Group†	8,600	282	+2
Arjo Wiggins†	1,100	303	-2
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT - SE Actuaries Share Indices — The UK Series

	May 11	Day's chge%	May 10	May 9	May 6	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3130.5	-0.2	3136.3	3097.8	3106.0	2880.8	3.88	6.36	18.86	36.08	1162.72
FT-SE Mid 250	3742.5	-0.3	3753.3	3742.1	3771.0	3145.0	3.29	5.51	22.07	35.20	1372.28
FT-SE Mid 250 ex Inv Trusts	3756.5	-0.4	3768.8	3759.0	3788.2	3174.7	3.41	5.94	20.64	38.42	1373.06
FT-SE-A 350	1586.5	-0.2	1589.8	1573.8	1579.8	1422.4	3.74	6.16	19.53	17.50	1205.94
FT-SE SmallCap	1931.08	-0.1	1933.03	1933.40	1940.53	1596.26	2.87	4.16	29.51	16.10	1479.07
FT-SE SmallCap ex Inv Trusts	1908.75	-0.2	1911.87	1913.29	1919.42	1607.22	3.02	4.61	27.04	16.24	1464.79
FT-SE-A ALL-SHARE	1578.05	-0.2	1581.23	1566.43	1572.45	1407.78	3.68	6.02	20.01	17.11	1220.50

■ FT-SE Actuaries All-Share

	May 11	Day's chge%	May 10	May 9	May 6	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2733.41	-0.2	2737.78	2735.00	2707.93	2186.30	3.41	4.50	27.89	31.95	1083.26
12 Extractive Industries(4)	3904.25	+1.2	3859.20	3878.86	3885.04	2954.70	3.32	5.06	24.76	42.75	1065.23
15 Oil, Integrated(3)	2678.96	-0.5	2691.20	2687.36	2655.15	2121.80	3.44	4.71	26.36	32.88	1083.32
16 Oil Exploration & Prod(11)	2047.27	-0.1	2049.91	2029.29	2000.22	1960.90	3.29	1.21	80.00†	15.36	1173.16
20 GEN MANUFACTURERS(282)	2071.52	-0.7	2086.80	2080.75	2087.39	1772.80	3.62	4.39	28.57	23.14	1038.84
21 Building & Construction(31)	1259.14	-2.2	1287.44	1301.70	1321.17	1080.50	2.96	3.84	33.09	12.27	973.84
22 Building Matls & Merchs(30)	1963.18	-2.5	2013.86	2022.90	2046.38	1697.90	3.63	3.84	33.44	26.58	913.07
23 Chemicals(21)	2485.23	-0.2	2490.27	2503.81	2525.48	2159.80	3.70	4.59	27.27	28.39	1063.18
24 Diversified Industrials(16)	2094.17	-0.3	2100.90	2076.34	2098.34	1853.00	4.39	4.44	28.42	30.45	1052.66
25 Electronic & Elect Equip(34)	2071.31	-0.5	2082.09	2072.56	2065.89	1951.90	3.55	6.24	19.57	12.72	991.14
26 Engineering(71)	1949.72	-0.2	1953.51	1942.74	1963.42	1507.10	2.77	3.79	32.89	15.77	1098.83
27 Engineering, Vehicles(12)	2426.26	-0.2	2430.07	2445.21	2466.25	1756.70	4.31	2.03	69.02	32.42	1160.35
28 Printing, Paper & Pckg(27)	2898.91	-0.8	2923.04	2907.12	2921.15	2317.00	2.86	4.92	24.57	26.59	1125.86
29 Textiles & Apparel(20)	1815.71	-0.3	1821.49	1799.46	1803.69	1819.80	3.83	5.51	23.32	20.45	1013.98
30 CONSUMER GOODS(96)	2761.93	-0.4	2772.46	2744.96	2737.27	2810.90	4.21	7.46	15.83	41.59	935.32
31 Breweries(17)	2336.31	+0.8	2317.76	2296.27	2284.83	2128.70	3.90	7.36	16.70	11.01	1024.38
32 Spirits, Wines & Ciders(10)	3051.95	-0.4	3063.55	3025.22	2969.65	2873.50	3.53	6.35	18.32	41.70	1009.38
33 Food Manufacturers(23)	2367.08	-0.3	2373.52	2368.07	2373.22	2324.00	4.02	7.59	15.37	39.68	963.11
34 Household Goods(13)	2712.78	-0.8	2733.77	2727.93	2727.35	2273.90	3.24	6.67	17.89	36.67	964.71
36 Health Care(20)	1729.80	-0.2	1733.97	1724.80	1730.62	1684.70	3.19	5.49	21.65	19.00	992.77
37 Pharmaceuticals(11)	2807.61	-0.4	2819.81	2777.59	2769.34	3185.80	4.56	7.81	14.75	41.70	976.39
38 Tobacco(1)	3657.64	-1.6	3716.37	3687.00	3749.92	3833.80	5.78	9.31	12.26	102.35	814.48
40 SERVICES(220)	2048.72	+0.1	2048.79	2030.92	2045.17	1759.40	2.85	5.64	21.41	13.94	980.34
41 Distributors(31)	3054.17	-0.4	3067.45	3059.03	3069.36	2686.80	2.87	5.23	22.74	31.80	1045.37
42 Leisure & Hotels(23)	2248.05	-0.1	2250.57	2228.74	2234.75	1699.00	3.18	4.17	28.10	13.93	1093.59
43 Media(39)	3100.38	+0.8	3075.50	3026.71	3063.00	2259.60	2.08	4.70	25.14	33.89	1068.73
44 Retailers, Food(17)	1666.05	+1.1	1648.57	1630.80	1639.27	1915.80	3.81	9.60	12.92	12.03	975.58
45 Retailers, General(44)	1761.09	.....	1760.69	1750.58	1760.91	1501.60	2.55	5.58	22.41	8.46	922.17
48 Support Services(40)	1854.54	-0.4	1860.46	1858.11	1868.24	1512.50	2.32	7.01	16.23	9.38	992.88
49 Transport(16)	2433.49	-1.1	2460.23	2460.82	2486.72	1992.60	3.48	4.16	27.48	15.14	938.83
51 Other Services & Business(10)	1223.20	-0.3	1226.62	1211.06	1222.38	1237.60	4.38	2.28	80.00†	5.91	1035.16
60 UTILITIES(36)	2220.77	+0.1	2217.94	2179.55	2202.96	2079.10	4.51	7.85	15.72	5.60	830.57
62 Electricity(17)	2096.66	+1.2	2071.08	2034.59	2074.60	1708.30	3.98	11.81	10.40	15.85	846.81
64 Gas Distribution(2)	1982.17	+0.2	1978.85	1906.65	1897.93	1954.50	6.04	‡	‡	0.00	875.78
66 Telecommunications(4)	1958.49	-0.8	1975.09	1948.21	1967.61	1903.80	4.03	6.18	19.76	0.09	814.55
68 Water(13)	1660.75	+0.8	1646.81	1636.08	1653.41	1726.50	5.57	15.30	7.69	3.48	799.05
69 NON-FINANCIALS(631)	1708.66	-0.3	1712.86	1699.70	1706.13	1536.86	3.67	5.93	20.45	16.49	1186.07
70 FINANCIALS(103)	2207.66	.....	2206.63	2166.49	2173.99	1927.20	4.07	7.40	15.97	39.57	862.55
71 Banks(10)	2801.22	+0.2	2795.13	2715.09	2720.74	2375.50	3.87	7.20	16.49	55.86	828.42
73 Insurance(18)	1310.29	-1.2	1326.41	1320.45	1320.49	1316.10	4.88	10.66	10.53	27.84	885.42
74 Life Assurance(6)	2423.56	+0.1	2420.12	2380.40	2388.51	2545.90	5.13	7.64	16.40	66.38	920.06
75 Merchant Banks(8)	2940.06	-0.9	2967.46	2933.50	2925.42	2459.90	3.25	10.37	11.23	23.26	869.70
77 Other Financial(24)	1878.98	-0.1	1880.56	1876.36	1894.03	1421.80	3.53	6.83	18.12	19.85	967.01
79 Property(39)	1616.20	+0.3	1610.86	1600.56	1622.18	1226.30	3.78	3.85	32.58	8.21	906.93
80 INVESTMENT TRUSTS(122)	2833.24	+0.3	2825.33	2810.78	2830.26	2257.10	2.16	1.81	66.96	19.84	943.20
89 FT-SE-A ALL-SHARE(856)	1578.05	-0.2	1581.23	1566.43	1572.45	1407.78	3.68	6.02	20.01	17.11	1220.50

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3147.7	3135.6	3132.8	3134.5	3127.7	3132.4	3124.7	3132.8	3129.7	3147.7	3122.1
FT-SE Mid 250	3758.9	3752.9	3747.3	3749.0	3743.8	3743.1	3740.7	3743.7	3742.7	3759.0	3740.7
FT-SE-A 350	1594.6	1588.4	1587.9	1588.7	1585.5	1587.3	1584.0	1587.5	1586.2	1594.8	1583.0

Time of FT-SE 100 High 8.30 am Low 1.44 pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1219.8	1203.0	1192.6	1196.8	1193.4	1193.5	1190.6	1195.6	1190.8	1190.7	1221.5	-30.8
Pharmaceuticals	2822.5	2811.3	2807.9	2806.6	2803.0	2801.9	2789.3	2788.2	2775.1	2779.1	2791.5	-12.4
Water	1646.4	1648.2	1640.4	1649.0	1650.9	1650.6	1650.8	1656.3	1656.8	1656.7	1642.6	+14.1
Banks	2833.9	2821.7	2818.8	2828.2	2823.9	2827.6	2825.6	2834.3	2834.5	2835.5	2829.3	+6.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	589	19	32½	-	32½	38½	-
(*590)	638	6	15½	-	70½	72	-
Argyll	240	19	24	28½	12½	16½	21½
(*251)	260	8½	13½	18	25	28½	32½
ASDA	50	11	12½	13½	1½	3½	4
[illegible]							
BAT Inds	420	19½	35½	43½	1	13½	22½
(*496)	460	1	16	24	27½	35½	45½
BTR	360	2	22	30½	2½	17	24½
(*391)	420	1	9	17	31	36	42½
Brit Telecom	360	2½	19	25	2	19	24
(*382)	390	1	7½	13	30	40½	44½
Cadbury Sch	453	37	-	-	1	-	-
(*487)	493	1½	-	-	7½	-	-
Eastern Elec	550	42½	58½	65½	1	17½	28
(*590)	600	1½	28	40½	12½	44	54
Guinness	460	36½	48	58½	1	9	16½
(*493)	500	1½	22½	34½	11½	25	34
GEC	300	7	18	22	1	15	19
(*304)	330	1	4½	10½	27	37	39½

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Hanson	260	7	15½	20	1	10	15
(*265)	280	1	6½	11½	16	22½	26½
Lasmo	134	21	28	31	1	7	9
(*154)	154	1	14½	18	1½	13	14
Lucas Inds	180	20	25½	30	1	5	10½
[illegible]							
Wellcome	550	42½	64½	74	11½	29½	37½
(*576)	600	15½	38	50½	36½	56	64

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Glaxo	550	44½	58½	65	23½	44	50½
(*584)	600	22	35	44	52½	73½	80
HSBC 75p shs	700	66½	90	105	28½	48	58½
(*732)	750	43	64½	81½	53½	73	83½
Reuters	500	28½	39	49½	22	33½	38
(*500)	512	23	33	-	28½	39½	-

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Rolls-Royce	180	14½	22½	26½	1	6½	12
(*192)	200	1	11½	17	9½	16½	22

* Underlying security price. Premiums shown are based on closing offer prices.
May 11 Total contracts: 54,838 Calls: 29,218 Puts: 25,620

FT GOLD MINES INDEX

	May 10	% chg on day	May 9	May 6	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)†	1848.44	-1.2	1870.56	1850.20	1539.87	2.08	2387.40	1522.66
■ Regional Indices								
Africa (16)	2579.06	+0.0	2578.73	2526.79	1867.35	4.64	3440.80	1661.50
Australasia (8)	2308.08	+0.4	2298.65	2171.66	1669.29	2.07	3013.69	1669.29
North America (11)	1572.08	-2.2	1607.15	1614.26	1399.71	0.71	2039.65	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: May 11: 208.7 ; day's change: -3.3 points; Year ago: 150.1 † Partial. Latest prices were unavailable for this edition. South African market closed 10/5/94.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	59	2	12
Other Fixed Interest	11	0	4
Mineral Extraction	61	45	95
General Manufacturers	119	196	353
Consumer Goods	36	47	109
Services	97	123	296
Utilities	30	6	10
Financials	113	75	190
Investment Trusts	140	38	293
Others	72	20	37
Totals	738	552	1399

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 3	Last Declarations	Aug 11
Last Dealings	May 20	For settlement	Aug 22

Calls: Aegis, Emess, Mosaic Inv, Pacer Systems, Phonelink. Puts: Phonelink. Puts & Calls: Avesco.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	40.4	102	96	Abtrust High Inc	101		-	-	-	-
-	F.P.	1.34	10	9	Abtrust Scot Wrts	10		-	-	-	-
-	F.P.	1,240.0	£14⅞	£14½	Ashanti Gold	£14¼		-	-	-	-
-	F.P.	30.0	101	100	Beta Global Em C	100	-1	-	-	-	-
110	F.P.	41.0	115	110	DRS Data & Res	115		LN2.8	1.1	3.0	27.4
-	F.P.	11.4	30	26½	Edinbgh. Inca Wts	28½	+½	-	-	-	-
-	F.P.	19.5	42	39	F & C Grth Wrnts	39	-2	-	-	-	-
160	F.P.	60.4	171	160	GRT Bus	169	-1	RN3.8	3.3	2.8	13.1
120	F.P.	41.7	128	125	Go-Ahead	125		MN4.0	1.6	4.0	19.0
-	F.P.	104.9	483	479	Govett Global Smlr	482	+3	-	-	-	-
185	F.P.	41.3	196	180	Hamleys	181		W4.7	2.2	3.2	17.4
180	F.P.	420.2	191	178	House of Fraser	183	-1	LN5.0	2.2	3.4	16.5
-	F.P.	-	96	94	Intl Biotech	94		-	-	-	-
-	F.P.	-	45	30	Do. Warrants	45		-	-	-	-
130	F.P.	68.9	138	122	Keller	123	+1	WN04.7	2.3	3.8	14.3
-	F.P.	34.2	15	14¼	My Kinda Town	14¼	-¼	-	-	-	-
80	F.P.	25.8	87	70	Oxford Molecular	70		-	-	-	-
160	F.P.	21.9	181	160	Persona	181		LN3.84	2.9	2.7	16.2
120	F.P.	26.5	133	131	St James Bch Hot	131		RN3.8	1.7	3.6	16.2
-	F.P.	5.63	60	53	Secure Retirement	56		-	-	-	-
196	F.P.	12.4	261	198	Superscape VR	233	-1	-	-	-	-
100	F.P.	42.7	93	91	Templeton Lat Am	92½	+½	-	-	-	-
-	F.P.	3.79	50	41	Do Wrts	41		-	-	-	-
-	F.P.	141.4	104	100	Templeton Emg C	101	-1	-	-	-	-
100	F.P.	61.5	102½	99	Undervalued Asts	102½	+½	-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
-	Nil	-	3pm	1pm	Abtrust Scotland	1¼pm	
390	Nil	17/6	94pm	29pm	Airtours	94pm	+7
6	Nil	16/6	1½pm	¼pm	Allied Radio	¼pm	
27	Nil	22/6	7¾pm	6pm	Babcock Intl	6¾pm	-¾
3	Nil	31/5	7½pm	6pm	¶Cupid	6pm	-1
55	Nil	-	16pm	5pm	Dale Electric	5pm	
500	Nil	26/5	63pm	48pm	Derwent Valley	48pm	-7
5	Nil	31/5	¾pm	½pm	Ferrum Hldgs	½pm	
192	Nil	15/6	27pm	12pm	Hunters Armley	12pm	
25	Nil	-	4pm	1¾pm	Pentos	3pm	
2	Nil	24/5	¼pm	⅛pm	Tamaris	⅛pm	
24	Nil	-	11pm	10pm	Unit	10pm	
330	Nil	9/6	43pm	25pm	Williams Hldgs	38pm	+2

FINANCIAL TIMES EQUITY INDICES

	May 11	May 10	May 9	May 6	May 5	Yr ago	*High	*Low
Ordinary Share	2491.8	2500.1	2477.2	2481.0	2481.9	2231.1	2713.6	2438.2
Ord. div. yield	4.00	3.99	4.02	4.01	4.01	4.19	4.05	3.43
Earn. yld. % full	5.46	5.44	5.48	5.47	5.47	6.26	5.61	3.82
P/E ratio net	19.65	19.72	19.58	19.60	19.62	19.78	33.43	19.48
P/E ratio nil	20.54	20.61	20.47	20.49	20.51	18.49	30.80	20.37

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2505.4	2498.3	2494.6	2496.3	2491.8	2493.8	2490.4	2495.9	2496.2	2505.9	2488.7

	May 11	May 10	May 9	May 6	May 5	Yr ago
SEAQ bargains	27,770	26,713	24,930	25,404	23,992	28,367
Equity turnover (£m)†	-	1340.0	912.9	1241.1	1469.0	1744.4
Equity bargains†	-	29,690	27,439	28,845	27,242	35,031
Shares traded (ml)†	-	648.2	417.1	570.8	585.3	685.2

† Excluding intra-market business and overseas turnover.

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

AMERICANS

OTHER FINANCIAL

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

RETAILERS, FOOD

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£28½	£13½	1,692	2.8	19.4
Barlow		85½	-⅛	85½	£3	1,880	5.9	10.0
Gold Flds Prop R		82	—	105	76	9.41	10.8	8.2
MK Props		90	—	95	87	3.82	8.9	37.0
SASOL	♥	344	-2	382	280	1,949	4.5	-
SA Brews		£14	+	£15	£10	7,726	1.9	23.6
Tiger Oats	†	744	—	838	538	1,117	2.1	15.6
Tongaat-Hulett	†	638	+3	638	434	477.5	2.2	17.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; x̄ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9233. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: *Also called redemption price.* The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. *Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.*

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: *The most recent report and scheme particulars can be obtained free of charge from fund managers.*

Other explanatory notes are contained in the last column of the *FT Managed Funds Service.*

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	28.68	28.69	30.82	+0.24	-
Pacific Basin	6	40.56	40.56	43.14	-0.01	0.6
Can Balanced Gwth	6	31.31	31.31	33.3	+0.33	-
Global Bond	4	0.8864	0.8864	0.9233	[illegible]	8.08
Penny Share	6	29.45	30.66	32.6	-0.041	1.5
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	92.50	92.50	94.84	-0.53	8.00
Short Dtd Gilt	1¼	108.2	108.2	109.6	+0.45	0.00
U.S. Governt Bond	1¼	0.7242	0.7242	0.7387	[illegible]	2.27
Gilt Income	4	50.00	50.00	52.03	-0.22	7.25
Gilt Growth	4	68.11	68.11	70.89	-0.46	0.00
City Reserve	0	52.40	52.40	52.40	-	4.30
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 081-298 4080						
Stockmarket Fd	5	79.20	79.24	84.29	-0.18	1.73

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Excl May 4	770.7	798.3	-	0.95
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1850 (general enquiries) 071-214 1884 (dealing)				
Charitable Funds				
UK Growth & Income	58.57	60.84	-	3.1
Income Plus	48.36	50.75	-	8.2
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	72.42	74.33	-	4.14
Income	58.00	60.00	-	8.83
CIM Unit Trust Managers Ltd				
Co-op Bank Ethical Fd Apr 15	[illegible]	[illegible]	-	5.18

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey National Life Plc				
287 St Vincent Street, Glasgow 041 305 8000				
Managed	114.4	120.6	+0.6	-
UK Equity	114.6	120.7	+0.3	-
International	120.1	126.5	+0.6	-
Deposit	100.7	106.1	-	-
Pension Managed	116.9	122.7	-0.5	-
Pension UK Equity	115.0	121.1	+0.1	-
Pension International	124.9	131.5	+1.1	-
Pension Deposit	102.8	108.3	-	-
Acuma Life Assurance Ltd				
42 Southwark Bridge Road, London SE1 9HE 071 980 3433				
Fixed Interest	186.02	195.81	-	-
Index Linked Gilts	187.92	197.81	-	-
UK Equity/UK Eq Inc	317.95	334.69	-	-
Sml Cos/UK Eq Gwth	242.63	255.39	-	-
Nth American	159.58	168.08	-	-
Far Eastern	475.60	500.64	-	-
European	218.13	229.61	-	-
Managed	258.08	271.66	-	-
World Growth	217.98	229.45	-	-
Money	162.85	171.42	-	-
Pen Fixed Interest	235.81	248.32	-	-
Pen Index Lnkd Stks	201.82	212.44	-	-
Pen UK Eq/UK Eq Inc	491.06	516.92	-	-
Pen Sml Cos/UK Eq Gwth	325.18	342.29	-	-
Pen Nth American	167.23	185.80	-	-
Pen Far Eastern	743.63	782.79	-	-
Pen European	220.07	231.65	-	-
Pen Managed	350.61	369.27	-	-
Pen World Growth	238.32	251.81	-	-
Pen Money	203.97	214.70	-	-
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9RS 071-538 8000				
Life Series 2				
Aggressive Pfolio Fund	165.2	174.9	+0.8	0.0
Balanced Pfolio Fund	452.5	476.8	+1.5	0
Cautious Pfolio Fund	162.5	172.0	+0.3	-
ERM Fund	156.7	164.8	+0.6	-
European Fund	158.4	167.7	+1.5	-
Far East Fund	148.1	154.7	+1.3	-
Fixed Interest Fund	314.4	332.8	+0.6	-
International Fund	374.6	396.5	+2.0	-
Money Fund	248.6	261.2	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Century Life Plc				
5 Old Bailey, London EC4M 7BA 071-332 5000				
City of Edinburgh Life Assurance				
Life Funds				
Far East Emerg Econ	77.5	81.8	+0.2	-
Fund of Inv Tsts	94.0	99.0	-	-
Money	172.9	182.0	+0.1	-
Special Situations	116.2	122.4	+0.9	-
UK Growth	178.7	188.0	+1.4	-
World Growth	182.3	191.9	-0.3	-
Pension Funds				
Fund of Inv Tsts	228.6	240.6	-0.1	-
Special Situations	174.4	183.6	+1.3	-
UK Growth	301.7	317.8	-2.4	-
World Growth	225.6	237.5	-0.3	-
UK Life Assurance				
Deposit	153.2	161.3	+0.1	-
Equity	191.7	201.8	+1.8	-
Fixed Interest	252.9	266.3	-0.7	-
International	152.7	160.7	-0.2	-
Langham "A" Plan	146.6	154.5	-	-
Langham Prop Bond	802.7	861.7	-	-
Langham Wisp Managed	220.3	231.8	-	-
Managed	134.8	141.9	+0.2	-
Property	188.7	198.6	-0.2	-
Pension Funds				
Deposit Capital	120.3	126.8	-0.2	-
Deposit Accum	192.9	203.1	-	-
Equity Capital	129.8	136.6	+0.9	-
Equity Accum	207.8	218.7	+1.6	-
Fxd Int Capital	189.9	199.7	-0.7	-
Fxd Int Accum	298.6	314.3	-0.8	-
Intl Capital	93.8	98.7	-0.3	-
Intl Accum	149.6	157.7	-0.3	-
Managed Capital	93.3	98.2	+0.1	-
Managed Accum	149.5	157.4	+0.3	-
Langham Harvest	433.0	455.8	-	-
Property Capital	134.9	142.0	-0.3	-
Property Accum	215.4	226.8	-0.4	-
NEL Britannia Assurance Co				
Capital Growth	174.5	183.7	-0.1	-
Managed Bldg Soc	138.7	146.0	-	-
Managed Income	131.4	138.4	+0.3	-
NEL Pensions Limited (Multichoice)				

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc

Sun Alliance Group - Contd.

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd (z)

Royal Skandia Life Assurance Ltd (z)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Lombard Odier - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Germany cuts rates

The Bundesbank surprised the market yesterday by cutting both the Discount and Lombard rates by 50 basis points, but the move failed to help the weak dollar, *writes Philip Gawith.*

The discount rate was cut to 4.5 per cent and the Lombard rate to 6 per cent. This sparked off a host of cuts in other European countries with Italy, Belgium, Denmark, Austria and the Netherlands also cutting rates. France lowered rates before the German announcement.

The rate cut was well received in the short sterling and euromark futures markets. But the failure of the dollar to react was taken by analysts as a signal that the US currency would not recover without a decisive tightening of policy from the Fed.

The fall in European rates coincided with a decline in Japan's core overnight rate which fell to a historic low of $2\frac{1}{16}$ amid speculation that the Bank of Japan was trying to weaken the yen.

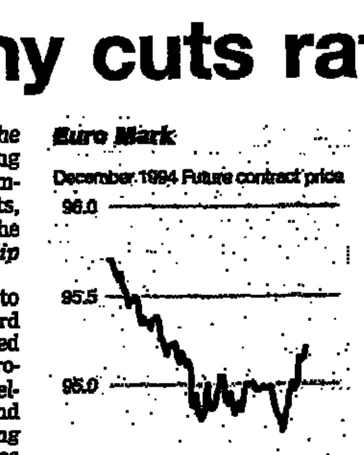
■ The Bundesbank's decision to cut rates caught the market offside. While many thought there was at least an even chance of a cut, almost none were predicting more than a 25 basis point cut in official rates.

This, said analysts, added weight to the view that the German rate cut was part of concerted central bank support for the dollar. Although the Bundesbank said the move reflected improved inflation prospects, Mr Robin Aspinall, analyst at Panmure Gordon, said a 50 basis point cut could not be explained in domestic terms alone. This suggested that the Bundesbank was "playing to a wider audience."

In so far as the German central bank was trying to help the dollar, it failed. The US currency slipped steadily lower yesterday against the D-Mark. Mr Avinash Persaud, head of currency research at JP Morgan, said the message to the market was that "the Fed is the gatekeeper to the dollar." A "*step and stop*" Fed, with rates being moved decisively higher and then kept there, was needed to support the dollar.

Euro Mark

December 1994 Future contract price



Source: FT Graphite

■ **Pound in New York**

May 11	—Latest—	— Prev. close —
£ spot	1.4945	1.4886
1 mth	1.4937	1.4877
3 mth	1.4933	1.4884
1 yr	1.4940	1.4886

Mr Persaud said that with the Fed likely to raise rates by 50 basis points, the prospect of a 100 basis point swing in favour of the dollar meant "it would be a brave investor who bet against the dollar."

But Mr Chris Turner, currency strategist at BZW noted that the last two times when the Fed and Bundesbank moved rates in close unison, back in 1991 when US rates were falling and German rates rising, this had the perverse effect of boosting the dollar. In the second case, said Mr Turner, the result was to push the dollar from DM1.45 to over DM1.80 in the space of only five months.

Mr Turner said the message was that markets punished a currency when the central bank was perceived to be "behind the game" on inflation. Depending on the size of the Fed's next move, this could yet be the fate which awaits the dollar.

■ The Bundesbank's move contributed to a very active day on the futures markets. The June, September and December short sterling contracts each traded more than 25,000 lots, while the equivalent euromark contracts traded 50,000-70,000 lots.

The June short sterling contract closed at 94.69, nine basis points up on Tuesday, while the December contract finished 12 basis points higher at 93.84.

Mr Peter Osler, economist at brokers GNI, said there was a general feeling in the market that "we are not going to have higher UK rates this year, bolstered by the aggressive German easing."

He said short sterling was continuing a "sensible correction", prompted by a discussion in the Bank of England's *quarterly report* which explained that recent short sterling weakness was essentially a technical phenomenon, flowing from building societies hedging their exposure to fixed rate mortgages.

In the UK money markets the Bank of England dispatched with ease a £450m shortage. The overnight rate moved in the 3¾-4¾ per cent range.

The euromark futures also finished firmer, with the June contract closing seven basis points higher at 95.09 and the December contract at 95.24 from 95.19.

■ Helped by the weak dollar, the D-Mark finished in Europe generally firmer. Against the French franc it closed in London at FFr3.430 from FFr3.424 after the Bank of France trimmed its intervention rate to 5.50 per cent from 5.60 per cent. It was the seventh such cut since February 24. Although the timing surprised analysts, they said the BOF was continuing to track the German repo.

The Spanish peseta slipped to finish at Pta82.54 against the D-Mark, from Pta82.14, after newspaper reports of another scandal potentially damaging to the government.

■ Sterling traded in a fairly narrow range, closing virtually unchanged at DM2.4911 from DM2.4907. It was buffeted back and forth by the combination of a supportive Bank of England report, soft UK manufacturing output data, and the larger than expected German rate cut.

■ **OTHER CURRENCIES**

May 11	£	$
Hungary	153.295 - 153.420	103.000 - 103.050
Iran	2613.00 - 2619.00	1748.00 - 1750.00
Kuwait	0.4434 - 0.4447	0.2979 - 0.2987
Poland	33397.4 - 33488.2	22440.0 - 22490.0
Russia	2768.80 - 2778.24	1860.00 - 1865.00
U.A.E.	5.4786 - 5.4868	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5463	+0.0569	396 - 530	17.5863	17.4286	17.5425	0.3	17.5369	0.2	-	-	113.5
Belgium	(BFr)	51.3252	+0.0609	868 - 636	51.5360	51.2168	51.3202	0.1	51.3502	-0.2	51.1502	0.3	114.9
Denmark	(DKr)	9.7451	+0.0027	399 - 503	9.7812	9.7376	9.7527	-0.9	9.7609	-0.6	9.7763	-0.3	115.0
Finland	(FM)	8.0937	+0.0004	849 - 025	8.1270	8.0680	-	-	-	-	-	-	81.8
France	(FFr)	8.5443	+0.0148	414 - 472	8.5700	8.5331	8.5501	-0.8	8.5657	-0.5	8.5207	0.3	107.6
Germany	(DM)	2.4911	+0.0004	902 - 920	2.5049	2.4884	2.4918	-0.3	-	-	2.4891	0.9	123.3
Greece	(Dr)	367.746	+1.034	461 - 031	368.726	365.473	-	-	-	-	-	-	-
Ireland	(I£)	1.0234	-0.003	223 - 244	1.0289	1.0221	1.0241	-0.8	1.0253	-0.7	1.0273	-0.4	103.8
Italy	(L)	2386.15	+8.75	426 - 804	2390.74	2379.03	2392.8	-3.2	2402.3	-2.7	2433.7	-2.0	78.4
Luxembourg	(LFr)	51.3252	+0.0609	868 - 636	51.5360	51.2168	51.3202	0.1	51.3502	-0.2	51.1502	0.3	114.9
Netherlands	(Fl)	2.7967	+0.0003	955 - 979	2.8082	2.7949	2.7963	0.2	2.796	0.1	2.7731	0.8	118.6
Norway	(NKr)	10.8003	-0.0095	958 - 047	10.8426	10.7423	10.7946	0.6	10.8072	-0.3	10.7963	0.0	85.0
Portugal	(Es)	257.743	+0.694	476 - 009	258.870	255.071	258.718	-4.5	260.663	-4.5	-	-	-
Spain	(Pta)	205.651	+1.011	579 - 722	206.347	204.256	206.156	-2.9	207.071	-2.8	209.871	-2.1	84.5
Sweden	(SKr)	11.5423	-0.0041	348 - 498	11.5877	11.5347	11.5638	-2.2	11.5943	-1.8	11.6833	-1.2	77.1
Switzerland	(SFr)	2.1269	-0.0036	260 - 278	2.1365	2.1259	2.1251	1.0	2.1205	1.2	2.0889	1.8	117.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2935	+0.0023	930 - 940	1.2970	1.2914	1.2942	-0.7	1.2948	-0.4	1.2907	0.2	-
SDR†	-	0.944882	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4879	-0.0019	876 - 882	1.4910	1.4842	-	-	-	-	-	-	-
Brazil	(Cr)	2208.83	+32.9	844 - 922	2210.00	2168.00	-	-	-	-	-	-	-
Canada	(C$)	2.0489	-0.0046	482 - 496	2.0574	2.0464	2.0506	-1.0	2.0556	-1.3	2.0769	-1.4	87.3
Mexico (New Peso)		4.9524	+0.0023	441 - 607	4.9607	4.9441	-	-	-	-	-	-	-
USA	($)	1.4886	-0.0024	883 - 889	1.4925	1.4855	1.4877	0.7	1.4871	0.4	1.4871	0.1	65.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0605	-0.0007	594 - 615	2.0699	2.0577	2.059	0.9	2.0586	0.7	2.0547	0.3	-
Hong Kong	(HK$)	11.4996	-0.02	971 - 025	11.5289	11.4773	11.4968	1.4	11.4814	0.6	11.4323	0.6	-
India	(Rs)	46.6959	-0.0748	843 - 074	46.8120	46.6040	-	-	-	-	-	-	-
Japan	(Y)	155.509	+0.594	408 - 609	155.710	155.030	155.129	2.9	154.399	2.9	150.724	3.1	185.9
Malaysia	(M$)	3.8911	-0.0094	889 - 932	3.9070	3.8740	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5610	-0.0064	594 - 625	2.5658	2.5568	2.5639	-1.4	2.5682	-1.1	2.5768	-0.6	-
Philippines	(Peso)	40.3770	-0.1783	841 - 698	40.5698	40.1641	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5825	-0.0093	813 - 836	5.5972	5.5714	-	-	-	-	-	-	-
Singapore	(S$)	2.3120	-0.0028	109 - 131	2.3216	2.3088	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4206	+0.0299	174 - 237	5.4366	5.3745	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1302	+0.0479	141 - 462	7.1462	7.0816	-	-	-	-	-	-	-
South Korea	(Won)	1199.40	-2.13	912 - 968	1203.10	1197.42	-	-	-	-	-	-	-
Taiwan	(T$)	39.8336	-0.0582	269 - 403	39.8403	39.6200	-	-	-	-	-	-	-
Thailand	(Bt)	37.5785	-0.032	647 - 922	37.6860	37.5240	-	-	-	-	-	-	-

†SDR rate for May 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7875	+0.0575	850 - 900	11.8300	11.7495	11.796	-0.9	11.7932	-0.2	11.7878	0.0	103.0
Belgium	(BFr)	34.4800	+0.0875	800 - 000	34.6100	34.3800	34.51	-1.0	34.53	-0.6	34.395	0.2	104.4
Denmark	(DKr)	6.5467	+0.0126	443 - 490	6.5758	6.5350	6.5557	-1.6	6.5642	-1.1	6.5557	-0.1	103.7
Finland	(FM)	5.4373	+0.0092	323 - 423	5.4607	5.4225	5.4388	-0.3	5.4393	-0.1	5.4448	-0.1	76.6
France	(FFr)	5.7400	+0.0192	390 - 410	5.7627	5.7230	5.7467	-1.4	5.7519	-0.8	5.7276	0.2	104.0
Germany	(D)	1.6735	+0.003	732 - 738	1.6820	1.6695	1.6748	-1.0	1.675	-0.4	1.6612	0.7	104.7
Greece	(Dr)	247.050	+1.1	900 - 200	247.950	246.400	250.8	-18.2	258.175	-18.0	287.05	-16.2	70.0
Ireland	(I£)	1.4546	+0.0018	533 - 558	1.4559	1.4447	1.452	2.1	1.4482	1.8	1.4401	1.0	-
Italy	(L)	1603.00	+8.5	200 - 400	1606.00	1596.50	1607.55	-3.4	1614.6	-2.9	1634	-1.9	79.1
Luxembourg	(LFr)	34.4800	+0.0975	600 - 000	34.6100	34.3800	34.51	-1.0	34.53	-0.6	34.395	0.2	104.4
Netherlands	(Fl)	1.8788	+0.0033	783 - 793	1.8875	1.8745	1.8799	-0.7	1.8803	-0.3	1.8653	0.7	103.9
Norway	(NKr)	7.2556	+0.0056	538 - 573	7.2820	7.2135	7.2596	-0.7	7.2591	-0.2	7.2356	0.3	95.1
Portugal	(Es)	173.150	+0.75	000 - 300	173.700	171.200	174.385	-8.6	176.35	-7.4	181.35	-4.7	92.8
Spain	(Pta)	138.155	+0.905	130 - 180	138.500	137.500	138.58	-3.7	139.245	-3.2	141.13	-2.2	80.1
Sweden	(SKr)	7.7541	+0.01	503 - 578	7.7927	7.7346	7.7721	-2.8	7.7951	-2.1	7.8591	-1.4	82.5
Switzerland	(SFr)	1.4289	-0.0001	285 - 292	1.4367	1.4280	1.4285	0.3	1.4261	0.8	1.4054	1.6	103.2
UK	(£)	1.4886	-0.0024	883 - 889	1.4925	1.4855	1.4877	0.7	1.4871	0.4	1.4871	0.1	88.2
Ecu	-	1.1506	-0.004	505 - 510	1.1540	1.1469	1.1493	1.5	1.1483	0.9	1.1496	0.1	-
SDR†	-	1.41326	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	+0.0004	995 - 996	0.9996	0.9995	-	-	-	-	-	-	-
Brazil	(Cr)	1483.88	+24.5	387 - 389	1483.89	1483.87	-	-	-	-	-	-	-
Canada	(C$)	1.3765	-0.0008	762 - 767	1.3788	1.3760	1.3785	-1.7	1.3824	-1.7	1.3968	-1.5	83.6
Mexico (New Peso)		3.3270	+0.007	220 - 320	3.3320	3.3220	3.328	-0.4	3.3298	-0.3	3.3372	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3842	+0.0017	837 - 847	1.3893	1.3826	1.3854	-1.1	1.3901	-1.7	1.4007	-1.2	88.3
Hong Kong	(HK$)	7.7255	-0.0007	250 - 260	7.7260	7.7250	7.7285	-0.5	7.7345	-0.5	7.7592	-0.4	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3725	31.3675	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	104.470	+0.57	420 - 520	104.520	104.000	104.265	2.4	103.815	2.5	101.325	3.0	147.1
Malaysia	(M$)	2.6140	-0.002	130 - 150	2.6260	2.6000	2.607	3.2	2.5915	3.4	2.654	-1.5	-
New Zealand	(NZ$)	1.7205	-0.0014	197 - 212	1.7232	1.7185	1.7216	-0.9	1.7263	-1.3	1.7482	-1.6	-
Philippines	(Peso)	27.1250	-0.075	000 - 500	27.3500	27.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7501	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5532	+0.0007	527 - 537	1.5575	1.5510	1.5526	0.5	1.5521	0.3	1.5507	0.2	-
S Africa (Com.)	(R)	3.6415	+0.026	400 - 430	3.6485	3.6155	3.658	-5.4	3.684	-4.7	3.777	-3.7	-
S Africa (Fin.)	(R)	4.7900	+0.04	800 - 000	4.8000	4.7500	4.824	-8.5	4.884	-7.8	-	-	-
South Korea	(Won)	805.750	-0.1	700 - 800	806.400	805.100	808.75	-4.5	812.25	-3.2	830.75	-3.1	-
Taiwan	(T$)	26.7600	+0.005	600 - 600	26.7600	26.7100	26.8255	-2.9	26.926	-2.5	-	-	-
Thailand	(Bt)	25.2450	+0.02	400 - 500	25.2500	25.2300	25.325	-3.8	25.45	-3.2	25.97	-2.9	-

†SDR rate for May 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 10. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	10	18.98	16.65	4.853	1.993	4648	5.449	21.04	502.0	400.5	22.48	4.144	1.948	3.992	2.901	302.9	2.521
Denmark	(DKr)	52.67	10	8.768	2.556	1.050	2448	2.870	11.08	264.4	211.0	11.84	2.183	1.026	2.103	1.528	159.6	1.328
France	(FFr)	60.08	11.41	10	2.915	1.197	2793	3.274	12.64	301.6	240.8	13.51	2.489	1.170	2.398	1.743	182.0	1.515
Germany	(DM)	20.61	3.912	3.430	1	0.411	957.8	1.123	4.336	103.5	82.54	4.633	0.854	0.401	0.823	0.598	62.42	0.519
Ireland	(I£)	50.18	9.526	8.352	2.435	1	2332	2.734	10.56	251.9	201.0	11.28	2.079	0.978	2.003	1.456	152.0	1.265
Italy	(L)	2.151	0.408	0.358	0.104	0.043	100.	0.117	0.453	10.80	8.617	0.484	0.089	0.042	0.086	0.062	6.517	0.054
Netherlands	(Fl)	18.35	3.484	3.055	0.891	0.366	853.1	1	3.861	92.13	73.51	4.126	0.760	0.358	0.733	0.532	55.60	0.463
Norway	(NKr)	47.53	9.023	7.911	2.306	0.947	2209	2.590	10	238.6	190.4	10.69	1.969	0.926	1.897	1.379	144.0	1.198
Portugal	(Es)	19.92	3.782	3.315	0.967	0.397	925.9	1.085	4.191	100.	79.78	4.478	0.825	0.388	0.795	0.578	60.34	0.502
Spain	(Pta)	24.97	4.740	4.156	1.212	0.498	1161	1.360	5.253	125.3	100.	5.613	1.035	0.486	0.997	0.724	75.63	0.629
Sweden	(SKr)	44.48	8.445	7.404	2.159	0.886	2068	2.424	9.359	223.3	178.2	10	1.843	0.867	1.776	1.290	134.7	1.121
Switzerland	(SFr)	24.13	4.582	4.017	1.171	0.481	1122	1.315	5.078	121.2	96.66	5.425	1	0.470	0.963	0.700	73.11	0.608
UK	(£)	51.33	9.745	8.544	2.491	1.023	2386	2.797	10.80	257.7	205.6	11.54	2.127	1	2.049	1.489	155.5	1.294
Canada	(C$)	25.05	4.756	4.170	1.216	0.499	1164	1.365	5.271	125.8	100.3	5.632	1.038	0.488	1	0.727	75.89	0.632
US	($)	34.47	6.545	5.738	1.673	0.687	1602	1.878	7.253	173.1	138.1	7.750	1.428	0.672	1.376	1	104.4	0.869
Japan	(Y)	330.1	62.67	54.95	16.02	6.579	15344	17.99	69.45	1657	1322	74.21	13.68	6.431	13.18	9.576	1000.	8.322
Ecu		39.67	7.531	6.603	1.925	0.791	1844	2.162	8.346	199.1	158.9	8.918	1.644	0.773	1.583	1.151	120.2	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, Swedish Kronor and Belgian Franc per 10; Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5970	0.5973	+0.0008	0.5985	0.5945	52,108	114,038
Sep	0.5949	0.5973	+0.0002	0.5973	0.5948	1,094	5,758
Dec	-	0.5968	-	-	0.5968	3	215

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9588	0.9611	+0.0037	0.9634	0.9586	46,849	57,778
Sep	0.9661	0.9688	+0.0038	0.9707	0.9661	1,345	3,641
Dec	0.9750	0.9785	+0.0035	0.9785	0.9745	122	942

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6978	0.7003	+0.0028	0.7003	0.6956	27,572	38,894
Sep	0.6995	0.7027	+0.0029	0.7027	0.6991	263	911
Dec	-	0.7033	-0.0114	-	-	15	352

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4884	1.4882	+0.0014	1.4900	1.4850	22,884	41,659
Sep	1.4848	1.4880	+0.0020	1.4880	1.4846	341	1,183
Dec	-	1.4870	-	1.4870	-	2	38

EMS EUROPEAN CURRENCY UNIT RATES

May 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.791229	-0.004375	-2.15	5.71	14
Netherlands	2.19672	2.16826	-0.00071	-1.30	4.79	-
Belgium	40.2123	39.7584	-0.0054	-1.13	4.62	8
Germany	1.94964	1.93180	-0.00031	-0.93	4.40	-
France	6.53883	6.62065	+0.00193	1.25	2.16	-10
Denmark	7.43679	7.55800	-0.00121	1.63	1.78	-11
Spain	154.250	159.114	+0.51	3.15	0.27	-22
Portugal	192.854	199.482	+0.075	3.44	0.00	-23
NON ERM MEMBERS						
Greece	264.513	284.906	+0.236	7.71	-3.87	-
Italy	1793.19	1847.78	+4.77	3.04	0.38	-
UK	0.786749	0.773394	-0.001751	-1.70	5.22	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
1.425	6.21	6.19	6.37	-	0.02	0.27
1.450	3.71	3.92	4.33	-	0.24	0.71
1.475	1.34	2.08	2.65	0.03	0.84	1.51
1.500	0.04	0.85	1.49	1.23	2.10	2.73
1.525	-	0.26	0.73	3.58	3.95	4.45
1.550	-	0.02	0.31	6.06	6.22	6.50

Previous day's vol., Calls 38,492 Puts 31,213 . Prev. day's open int., Calls 475,678 Puts 481,714

WORLD INTEREST RATES

MONEY RATES

May 11	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5½	5¼	5¼	5½	5⅝	7.40	4.50	–
week ago	5⅝	5¼	5⅜	5⅝	5¾	7.40	4.75	–
France	5⅝	5⅜	5⅜	5⅝	5⅝	5.50	–	6.75
week ago	5⅜	5⅜	5⅝	5⅜	5⅜	5.70	–	7.75
Germany	5.50	5.30	5.15	5.08	5.04	6.00	4.50	5.47
week ago	5.48	5.30	5.30	5.22	5.20	6.50	5.00	5.47
Ireland	5⅝	5⅜	6	6⅛	6¼	–	–	6.50
week ago	5⅜	5⅜	6	6¼	6½	–	–	6.50
Italy	8½	7⅞	7¾	7⅞	7⅞	–	7.00	8.10
week ago	8⅜	7⅞	7⅞	7⅞	8¼	–	8.00	8.27
Netherlands	5.28	5.19	5.12	5.10	5.09	–	5.25	–
week ago	5.46	5.19	5.19	5.19	5.19	–	5.25	–
Switzerland	4⅛	4¼	4	4	4	6.625	3.50	–
week ago	3⅝	4¼	4⅛	4⅛	4⅛	6.625	3.50	–
US	3¾	4¼	4¾	5⅛	5¾	–	3.00	–
week ago	3⅝	4¼	4⅜	4⅞	5¼	–	3.00	–
Japan	2⅛	2⅛	2⅛	2⅛	2½	–	1.75	–
week ago	2⅛	2⅛	2⅛	2⅜	2⅝	–	1.75	–
■ $ LIBOR FT London								
Interbank Fixing	–	4¼	4⅝	5⅛	5⅝	–	–	–
week ago	–	4¼	4¼	4⅝	5½	–	–	–
US Dollar CDs	–	4.23	4.51	4.96	5.56	–	–	–
week ago	–	4.23	4.17	4.58	5.15	–	–	–
SDR Linked Ds	–	3⅝	4	4⅛	4⅜	–	–	–
week ago	–	3⅝	4	4⅛	4⅜	–	–	–

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅝; 6 mths: 5⅝; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5½ - 5⅜	5½ - 5⅜	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	5½ - 5⅜	5⅝ - 5½
Danish Krone	7½ - 6½	5¾ - 5½	5¾ - 5½	5¾ - 5½	5¾ - 5½	5¾ - 5½
D-Mark	$5\frac{11}{16}$ - $5\frac{9}{16}$	5½ - 5⅜	$5\frac{5}{16}$ - $5\frac{3}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$
Dutch Guilder	$5\frac{3}{16}$ - $5\frac{1}{16}$	5¼ - 5⅛	$5\frac{3}{16}$ - $5\frac{1}{16}$	5⅛ - 5	5⅛ - 5	5⅛ - 5
French Franc	5⅞ - 5¾	6⅞ - 6¾	$5\frac{13}{16}$ - $5\frac{11}{16}$	5⅝ - 5½	$5\frac{9}{16}$ - $5\frac{7}{16}$	$5\frac{9}{16}$ - $5\frac{7}{16}$
Portuguese Esc.	12 - 11⅞	12¼ - 12	12¾ - 12¼	12⅛ - 11⅝	11⅛ - 10⅝	10⅝ - 10⅛
Spanish Peseta	$7\frac{15}{16}$ - $7\frac{11}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$7\frac{13}{16}$ - $7\frac{11}{16}$	$7\frac{15}{16}$ - $7\frac{11}{16}$	8 - 7⅞
Sterling	4¾ - 4½	$4\frac{13}{16}$ - $4\frac{11}{16}$	$5\frac{1}{16}$ - 5	$5\frac{3}{16}$ - 5⅛	5⅜ - $5\frac{5}{16}$	5⅞ - $5\frac{13}{16}$
Swiss Franc	4¼ - 4	4¼ - 4	$4\frac{1}{16}$ - $3\frac{15}{16}$	4 - 3⅞	4 - 3⅞	$4\frac{1}{16}$ - $3\frac{15}{16}$
Can. Dollar	5⅝ - 5⅜	5⅝ - 5⅜	6¼ - $5\frac{15}{16}$	6½ - 6⅜	6⅞ - 6¾	$7\frac{5}{16}$ - $7\frac{3}{16}$
US Dollar	3⅝ - 3½	$4\frac{1}{16}$ - $3\frac{15}{16}$	$4\frac{7}{16}$ - $4\frac{5}{16}$	$4\frac{13}{16}$ - $4\frac{11}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$
Italian Lira	9 - 7½	7¾ - 7¼	7¾ - 7¼	7¾ - 7¼	7⅝ - 7¼	7¾ - 7½
Yen	$2\frac{3}{16}$ - 2⅛	2¼ - $2\frac{3}{16}$	2¼ - $2\frac{3}{16}$	2¼ - $2\frac{3}{16}$	2⅜ - $2\frac{5}{16}$	2⅝ - 2½
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.46	94.55	+0.09	94.56	94.46	34,368	61,567
Sep	94.73	94.83	+0.11	94.83	94.73	29,327	44,352
Dec	94.75	94.79	+0.09	94.80	94.71	13,961	37,106
Mar	94.64	94.68	+0.11	94.69	94.60	7,507	31,677

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.95	94.95	+0.05	94.97	94.93	1037	4975
Sep	94.29	94.26	+0.06	94.29	94.26	570	2151
Dec	93.81	93.78	+0.05	93.83	93.81	175	1422
Mar	93.55	93.53	+0.07	93.56	93.55	35	966

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.03	95.09	+0.07	95.12	95.00	53301	191139
Sep	95.23	95.31	+0.09	95.34	95.21	70184	188649
Dec	95.21	95.24	+0.05	95.27	95.16	72637	176828
Mar	95.11	95.14	+0.05	95.18	95.08	39725	194935

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.33	92.42	+0.09	92.42	92.31	20273	40752
Sep	92.53	92.59	+0.07	92.61	92.50	25354	35592
Dec	92.42	92.47	+0.06	92.49	92.39	17503	36756
Mar	92.26	92.30	+0.06	92.34	92.23	1187	12115

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.18	96.16	-0.01	96.19	96.13	4600	21389
Sep	96.18	96.18	+0.01	96.20	96.15	2371	10672
Dec	96.07	96.08	+0.02	96.09	96.05	663	5204
Mar	95.89	95.89	+0.02	95.89	95.89	150	893

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.45	94.51	0.08	94.52	94.45	1298	11266
Sep	94.58	94.64	0.08	94.64	94.57	652	11940
Dec	94.51	94.54	0.07	94.53	94.48	353	7025
Mar	94.31	94.32	0.07	94.32	94.27	292	2575

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.97	94.94	-0.03	94.99	94.92	132,600	428,917
Sep	94.28	94.26	-0.02	94.29	94.24	186,294	444,605
Dec	93.83	93.79	-0.02	93.84	93.76	180,526	402,453

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.37	95.36	-0.02	95.38	95.35	3,053	24,666
Sep	94.76	94.75	-0.02	94.76	94.74	7,90	11,105
Dec	94.39	94.38	-0.02	94.39	94.38	262	6,986

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9500	0.13	0.34	0.36	0.04	0.03	0.12
9525	0.03	0.17	0.21	0.19	0.11	0.22
9550	0.01	0.07	0.11	0.42	0.26	0.37

Est. vol. total, Calls 13341 Puts 5382. Previous day's open int., Calls 233103 Puts 166896

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9600	0.17	0.26	0.27	0.01	0.08	0.19
9625	0.03	0.12	0.15	0.12	0.19	0.32
9650	0.01	0.04	0.07	0.35	0.36	0.49

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 549 Puts 4054

UK INTEREST RATES

LONDON MONEY RATES

May 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¾ - 3⅞	4⅞ - 4⅝	5⅛ - 5	5¼ - 5⅛	5½ - $5\frac{5}{16}$	$5\frac{15}{16}$ - $5\frac{13}{16}$
Sterling CDs	-	-	$5\frac{1}{16}$ - $4\frac{31}{32}$	5⅛ - $5\frac{1}{16}$	5⅜ - 5¼	$5\frac{13}{16}$ - 5¾
Treasury Bills	-	-	$4\frac{27}{32}$ - $4\frac{25}{32}$	$4\frac{15}{16}$ - 4⅞	-	-
Bank Bills	-	-	$4\frac{31}{32}$ - $4\frac{29}{32}$	$4\frac{15}{16}$ - 4⅞	5⅛ - $5\frac{1}{16}$	-
Local authority deps.	4⅞ - 4⅝	$4\frac{13}{16}$ - $4\frac{7}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	5½ - 5⅜	5⅞ - 5¾
Discount Market Deps	4¾ - 3⅞	$4\frac{11}{16}$ - $4\frac{7}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8688pc. ECGD fixed rate Stlg. Export Finance. Make up day April 29, 1994. Agreed rate for period May 25, 1994 to Jun 25, 1994, Schemes II & III 6.58pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Schemes IV & V 5.288pc. Finance House Base Rate 5½pc from May 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.65	94.69	+0.09	94.70	94.62	25521	79378
Sep	94.36	94.38	+0.10	94.39	94.30	28512	89473
Dec	93.77	93.84	+0.12	93.86	93.74	26844	129428
Mar	93.20	93.29	+0.15	93.30	93.18	8260	52663

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9450	0.21	0.17	0.12	0.02	0.29	0.78
9475	0.06	0.08	0.07	0.12	0.45	0.98
9500	0.01	0.04	0.03	0.32	0.66	1.19

Est. vol. total, Calls 5939 Puts 3015. Previous day's open int., Calls 170913 Puts 152301

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 11 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (May 11 / Frs.)

[illegible]

DENMARK (May 11 / Kr)

[illegible]

FINLAND (May 11 / Mkk)

[illegible]

FRANCE (May 11 / Frs.)

[illegible]

GERMANY (May 11 / Dm.)

[illegible]

ITALY (May 11 / Lire)

[illegible]

NETHERLANDS (May 11 / Fls.)

[illegible]

NORWAY (May 11 / Kroner)

[illegible]

SPAIN (May 11 / Pts.)

[illegible]

SWEDEN (May 11 / Kronor)

[illegible]

SWITZERLAND (May 11 / Frs.)

[illegible]

PACIFIC

JAPAN (May 11 / Yen)

[illegible]

HONG KONG (May 11 / H.K.$)

[illegible]

MALAYSIA (May 11 / MYR)

[illegible]

SINGAPORE (May 11 / S$)

[illegible]

AUSTRALIA (May 11 / Aust.$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (May 11 / Can $) 4 pm close

[illegible]

MONTREAL (May 11 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (May 11 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday May 11, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	7.1m	974	+16	NEC Corp	4.7m	1,160	+10
Nippon Steel	6.5m	352	+6	Fujitsu Ltd	3.4m	1,040	+10
Kawasaki Steel	6.4m	383	+4	Mitsui Fudosan	3.3m	1,270	+30
Marubeni	6.0m	546	+8	Matsushita E Ind	3.2m	1,710	+50
M'bishi Est	5.9m	1,270	+60	Tokyo Tatemono	3.2m	695	+44

INDICES

	May 11	May 10	May 9	1994 High	1994 Low
Argentina					
General (29/12/77)	(c)	19117.20	18734.09	25470.40 16/2	17756.90 20/4
Australia					
All Ordinaries(1/1/80)	2094.6	2008.2	2009.3	2340.60 3/2	1988.10 5/5
All Mining(1/1/80)	964.1	939.6	931.3	1136.10 3/2	904.80 5/5
Austria					
Credit Aktien(30/12/84)	418.08	416.52	413.44	460.86 2/2	413.44 9/5
Traded Index(2/1/91)	1065.77	1062.63	1053.86	1222.25 1/2	1053.86 9/5
Belgium					
BEL20 (1/1/91)	1533.45	1528.87	1528.42	1542.85 9/2	1462.76 30/3
Brazil					
Bovespa (29/12/83)	(c)	15480.0	14218.0	17257.00 2/5	3808.90 3/1
Canada					
Metals Minls♦(1975)	(c)	3472.69	3443.65	3878.59 18/3	3299.08 20/4
Composite♦ (1975)	(c)	4169.90	4179.13	4608.98 23/3	4105.80 20/4
PortfolioSS (4/1/83)	(c)	1935.13	1928.66	2182.99 1/2	1913.37 19/4
Chile					
IPSA Gen (31/12/80)	(u)	4101.9	4082.0	4867.80 4/2	3801.29 4/4
Denmark					
CopenhagenSE(3/1/83)	374.84	373.93	375.44	415.79 2/2	370.74 3/1
Finland					
HEX General(28/12/90)	1839.6	1808.4	1808.2	1972.00 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	1440.92	1435.56	1422.97	1586.29 2/2	1402.89 21/4
CAC 40(31/12/87)	2176.74	2164.98	2139.42	2355.93 2/2	2081.94 31/3
Germany					
FAZ Aktien(31/12/58)	848.70	842.40	838.87	858.72 2/5	778.33 2/3
Commerzbank(1/12/53)	2435.0	2417.1	2405.0	2488.50 2/5	2221.20 2/3
DAX (30/12/87)‡	2243.63	2235.15	2218.69	2268.65 2/5	2020.33 2/3
Greece					
Athens SE(31/12/80)	950.77	970.35	982.05	1194.58 18/1	880.77 11/5
Hong Kong					
Hang Seng(31/7/64)	8906.16	8540.09	8421.70	12201.09 4/1	8388.44 4/5
India					
BSE Sens.(1979)	3781.1	3774.6	3752.5	4287.90 28/2	3454.80 5/1
Indonesia					
Jakarta Comp.(10/8/82)	465.53	463.04	464.28	612.88 5/1	454.32 28/4
Ireland					
ISEQ Overall(4/1/88)	1802.15	1802.78	1808.26	2082.16 20/1	1801.05 5/4
Italy					
Banca Comm Ital (1972)	610.07	617.17	606.37	617.17 10/5	538.85 10/1
MIB General (4/1/94)	1307.0	1318.0	1299.0	1318.00 10/5	944.90 10/1
Japan					
Nikkei 225 (16/5/49)	20150.13	19917.78	19786.96	20677.77 18/3	17369.74 4/1
Nikkei 300 (1/10/82)	298.58	296.30	294.94	304.25 1/3	268.22 4/1
Topix (4/1/68)	1635.04	1617.83	1610.84	1653.27 18/3	1445.97 4/1
2nd Section (4/1/68)	2308.20	2295.38	2280.91	2309.20 11/5	1873.38 4/1
Malaysia					
KLSE Comp.(4/4/86)	1008.57	999.46	990.53	1314.46 5/1	928.33 4/4

	May 11	May 10	May 9	1994 High	1994 Low
Mexico					
IPC (Nov 1978)	(u)	2213.09†	2147.58	2881.17 8/2	1957.33 20/4
Netherland					
CBS TtlRtnGen(End 83)	437.0	435.3	431.2	454.90 31/1	417.40 5/4
CBS All Shr (End 83)	280.3	279.3	276.8	294.90 31/1	268.00 31/3
New Zealand					
Cap. 40 (1/7/86)	2083.84	2030.59	2043.49	2489.54 3/2	2012.82 5/5
Norway					
Oslo SE(Ind)(2/1/83)	1110.80	1100.72	1091.44	1211.10 28/2	1072.67 3/1
Philippines					
Manila Comp (2/1/85)	2952.27	2913.45†	(c)	3368.37 4/1	2507.33 9/3
Portugal					
BTA (1977)	2912.8	2914.4	2941.4	3228.80 18/2	2819.90 3/1
Singapore					
SES All-S'pore(2/4/75)	588.15	563.10	558.02	641.81 4/1	523.29 4/4
South Africa					
JSE Gold (28/9/78)	1877.0♥	(c)	1883.0	2331.00 4/1	1749.00 14/2
JSE Ind. (28/9/78)	5540.0♥	(c)	5609.0♥	5640.80 11/5	5446.00 19/1
South Korea					
KoreaCompEx(4/1/80)**	948.91	947.40	940.15	974.28 2/2	855.37 2/4
Spain					
Madrid SE (30/12/85)	321.48	320.99	314.41	359.31 31/1	308.73 20/4
Sweden					
AffarsvarldnGen (1/2/37)	1505.10	1499.7	1489.9	1603.80 31/1	1403.60 31/3
Switzerland					
Swiss Bk Ind (31/12/58)	1258.94	1259.09	1239.75	1423.34 31/1	1239.75 9/5
SBC General (1/4/87)	936.37	933.96	917.53	1050.28 31/1	917.53 9/5
Taiwan					
WeightedPr.(30/6/66)**	6024.47	5937.37	5986.80	6484.52 6/1	5194.63 19/3
Thailand					
Bangkok SET (30/4/75)	1235.76	1228.00	1222.72	1753.73 4/1	1198.58 4/4
Turkey					
Istanbul Cmp.(Jan 1986)	15733.4	15827.87	16504.0	20863.09 13/1	12998.70 24/3
WORLD					
MS Capital Int (1/1/70)	609.3*	607.8	605.5	649.99 1/2	591.68 4/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	1459.12	1455.39	1437.20	1540.18 31/1	1393.60 2/3
Euro Top-100 (26/6/90)	1258.87	1259.53	1242.74	1311.04 2/2	1222.49 2/3
JCapeGlgms (31/12/88)	(u)	289.76	287.84	395.18 5/1	290.28 21/3
Barings Emerg.(7/1/92)	146.30	143.41	145.25	182.72 14/2	141.65 21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	2176.0	2177.5	+15.5	2182.0	2160.0	25,732	22,372
Jun	2159.0	2160.5	+15.5	2162.0	2145.0	460	31,614
Jul	2155.5	2158.0	+16.5	2167.5	2146.0	101	270

Open interest figures for previous day.

** Sat May 7 : Taiwan Weighted Price 5981.73; Korea Comp Ex 938.41. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. SS Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 11 - 2248.02 +6.68

US INDICES

Dow Jones	May 10	May 9	May 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3656.41	3629.04	3669.50	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.82	96.76	97.53	105.61 (21/1)	96.76 (9/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1593.70	1589.26	1608.92	1862.29 (2/2)	1546.82 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.56	183.36	188.83	227.86 (3/1)	183.36 (9/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3684.67 (3678.93) Low 3627.56 (3612.39) (Theoretical♦)
Day's high 3669.22 (3665.93) Low 3628.45 (3625.18) (Actual♦)

Standard and Poors	May 10	May 9	May 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	446.01	442.32	447.82	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	521.05	517.08	522.90	588.59 (2/2)	510.05 (21/4)	588.59 (2/2/94)	3.62 (21/6/32)
Financial	43.70	43.12	43.58	46.58 (31/1)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	246.94	245.33	248.47	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	435.19	435.42	438.73	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	725.00	722.97	732.86	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 6	Apr 29	Apr 22	Year ago
Dow Jones Ind. Div. Yield	2.77	2.76	2.79	3.04
	May 4	Apr 27	Apr 20	Year ago
S & P Ind. Div. yield	2.48	2.48	2.56	2.52
S & P Ind. P/E ratio	23.99	23.94	23.24	26.22

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	445.70	445.70	-0.05	446.35	445.25	73,499	194,105
Sep	447.90	447.90	-0.40	448.00	447.70	3,134	14,458
Dec	-	450.85	-	-	450.85	244	7,083

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Amer T & T	6,058,200	52⅞	+1⅛
Telefonos	4,242,200	55⅛	+1⅞
FPL	3,569,700	29	+1⅛
Philip Morris	3,498,500	48⅝	-⅝
Bombay	3,201,800	12⅞	-3⅛
Merck	2,836,900	30⅞	+¾
Chrysler	2,586,100	46⅛	+1¼
Pac G E	2,190,000	23⅛	+⅛
Illinois Power	2,142,200	19⅝	-⅞
RJR Nabisco	2,130,700	5⅞	—

■ TRADING ACTIVITY

● Volume (millions)

	May 10	May 9	May 6
New York SE	295.165	250.824	288.600
Amex	14.092	14.164	17.902
NASDAQ	300.042	223.842	249.512
NYSE			
Issues Traded	2,824	2,802	2,784
Rises	1,318	511	548
Falls	882	1,760	1,698
Unchanged	624	531	542
New Highs	21	19	11
New Lows	176	191	128

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close May 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	14⅛	AAR	0.48	3.3	49	100	15	14¾	14¾	-⅛
16⅞	13⅝	A L Labs A	0.18	1.2	33	435	14⅝	14½	14½	
65¾	57⅞	AMP x	1.68	2.6	22	1695	u65¾	64⅛	64¼	-1½
72¾	52⅛	AMR			26	1064	57⅞	55⅞	56	-1¼
5	3⅝	ARX			14	412	4⅜	4¼	4¼	-⅛
58⅛	38⅝	ASA	2.00	4.6	28	1450	44	42⅝	43½	+⅞
30⅝	25⅞	Abbott	0.76	2.7	16	9356	28⅝	27⅞	28¼	-⅛
13¾	11⅜	Abitibi Pr	0.50	4.3	6	163	11¾	11½	11⅝	+⅛
13¾	11⅛	Acptncain			23	38	12⅝	12½	12½	-⅛
31	24½	ACE Ltd	0.44	1.6	4	580	27¾	27⅝	27¾	-¼
12½	10⅛	ACM Gvt In	1.09	10.2		376	11	10¾	10¾	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.5		15	8⅜	8⅜	8⅜	
10⅝	8⅜	ACM Gvt Sp	0.96	11.1		361	8¾	8⅝	8⅝	
12	9⅜	ACM Gvt Se	1.09	11.5		834	9⅝	d9⅜	9½	
11¾	8¾	ACM Man	1.08	12.0		163	9¼	9	9	-⅛
9¼	8	ACM Managd	0.72	8.7		147	8⅜	8¼	8¼	-⅛
15½	8¾	AcmeClv x	0.44	3.7	14	159	12½	11⅞	11⅞	-⅝
8½	7⅛	Acme Elect			30	22	7½	d7⅛	7⅛	-⅛
28½	23	Acordia	0.60	2.1	14	24	u28½	28⅜	28⅜	
9⅞	5¾	Actava	0.36	4.3	2	1009	8½	8⅜	8⅜	
15⅛	11¼	Acuson			114	1444	15	14½	14⅝	-¼
18⅞	16½	Adams Expr x	0.48	2.8	0	161	17⅛	16⅞	16⅞	-⅛
64	48½	Ad Micro	3.00	5.7		52	53	52½	52½	-1¼
31¾	18¾	AdvMic	3.00	12.4	10	10585	25⅜	24	24⅛	-1⅛
6⅞	5	Advest Grp	0.16	3.1	8	22	5⅛	5⅛	5⅛	
20	16¾	Aetna Inc	0.10	0.6	114	128	17⅜	17⅛	17⅛	-⅛

Continued on next page

4 pm close May 11

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
27	19¾	Safeway			21	2752	22	21½	21⅞	-1¼
6⅞	4⅞	SafewayW96				44	5⅞	5⅛	5⅛	-¼
57⅞	50½	StJoePaper	0.20	0.4	280	82	56¼	55	55⅛	-1⅜
30¼	26	StJosLP x	1.80	6.6	13	10	27⅞	d27⅛	27¼	-¾
90	76⅞	StPaul	3.00	3.9	7	440	78	77	77⅞	-¾
9⅞	6¾	Salant Crp			9	83	7½	7¼	7⅜	-⅛
49⅞	38¾	Sallie Mae	1.40	3.6	8	3531	39¾	38¾	39¼	-⅝
13⅝	11⅞	Salomon Br x	0.28	2.3		206	12⅜	12¼	12⅜	
52¾	44¾	Salomon	0.64	1.3	6	2069	49⅞	49½	49½	-⅛
25	18¾	SnDgGE	1.52	8.1	10	1296	18½	d18⅝	18¾	-⅝
10	7½	SantaFeERs	0.16	1.8	9	879	9	8⅞	9	
40	34⅝	SantaFePac	2.80	7.9	16	57	35½	35¼	35⅜	-⅝
26¼	20½	SntFeP	0.10	0.5	11	1623	21⅝	21⅜	21⅝	
26	20⅛	SaraLee	0.64	3.0	14	6250	22	21¼	21⅜	-½
50⅛	43½	Scana Corp	2.82	6.6	11	251	43⅜	d42¾	42¾	-1
20½	14¼	Scecrp	1.42	10.1	9	11020	14⅝	d14	14⅛	-⅝
40½	34¾	ScheranRP			27	322	36½	35¾	35⅞	-⅝
69⅛	54½	SchPl x	2.04	3.2	16	5247	64½	63⅞	64⅛	-⅛
81½	50⅜	Schlmb	1.20	2.1	23	3544	56⅝	55¾	56⅛	-⅛
33	25¼	Schwab(C)	0.28	1.0	13	3494	28¾	28⅛	28¾	+⅛
10¾	6⅛	Schweitzer			25	56	8⅞	8¾	8¾	
36⅞	24⅞	SciAtl	0.12	0.4	68	2449	34⅛	33½	34⅛	+⅛
16⅞	13⅛	Scotsman	0.10	0.7	12	9	13¾	13¾	13¾	
48¾	37¼	ScottP	0.80	1.9	10	4085	42½	41⅝	41⅞	-1⅛
28⅝	18⅝	ScuddrNAsF	0.21	1.0		212	21⅞	21⅛	21⅞	+1
12⅝	9¾	ScuddrNEuF	0.16	1.5		65	11	10⅞	10⅞	-⅛
18¼	15¾	SeaCnB x	0.70	5.1	6	37	15½	d13⅝	13¾	-2
16½	15⅛	SeaC1.4625	1.46	9.1		8	16	15¾	16	
31	26¼	Seagrm	0.56	2.0	36	2507	28⅞	28⅛	28¼	-⅝
29¾	23	Seagull En			37	319	29	28⅜	28⅜	-⅝

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NASDAQ NATIONAL MARKET

4 pm close May 11

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AMEX COMPOSITE PRICES

4 pm close May 11

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FINANCIAL TIMES Thursday May 12 1994

AMERICA

Equities ease after early bond losses

Wall Street

US stocks eased slightly across the board yesterday morning following a modest decline in government bond prices, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 12.79 at 3,643.62. The more broadly based Standard & Poor's 500 was also weaker, down 2.65 at 443.36, while the American Stock Exchange composite was off 0.72 at 434.47 and the Nasdaq composite 4.04 lower at 720.96. Trading volume on the NYSE was 153m shares by 1 pm, and declines comfortably outnumbered rises by 1,167 to 745.

After Tuesday's solid gains, the stock market failed to maintain its upward momentum, primarily because the bond market – the main driving force behind share prices this year – suffered early losses. Although the selling of bonds was mostly due to nervousness ahead of the afternoon auction of $12bn in 10-year notes, rather than any change in underlying fundamentals, it was enough to push the yield on the 30-year bond over 7.5 per cent once more.

That rise in long-term interest rates unsettled equity investors, and shares edged lower soon after a flat opening. Prices also fell because Tuesday's advance was judged to have been little more than a technical rally following earlier weakness. Analysts noted that sentiment in the stock market remained subdued, with most investors bracing themselves for another interest rate increase from the Federal Reserve.

The decline in the Dow would have been bigger had it not been for the rise in Caterpillar. The group, which is one of the main components of the Dow, climbed $1½ to $108¼ after the brokerage house Merrill Lynch raised its intermediate-term rating on the stock from "above average" to "buy".

Two sectors which led the market higher on Tuesday, computer and car stocks, ran into concerted selling. Compaq slipped $2¼ to $106⅝, IBM $½ to $57⅞, and Digital Equipment gave up $¼ at $21⅝. General Motors, meanwhile, fell $⅞ to $54⅞, Chrsyler $⅞ to $45⅞, and Ford $½ to $58⅞.

Conner Peripherals slumped $1½ to $12⅞ in volume of almost 2m shares on news that Iomega Corp had filed a patent infringement lawsuit against the company, challenging its new backup tape drive. Iomega, quoted on the Nasdaq market, held steady at $2⅞.

Also on the Nasdaq, Micro Focus Group soared $3¼ to $15⅞ after the company reported an improvement in first quarter net income and forecast continued growth in earnings.

Canada

Toronto stocks edged higher at midday, supported by strength in precious metals and media stocks.

The gold and silver index had risen 204.54, or 2.15 per cent, to 9,716.15 on firmer gold prices by midsession, while the TSE-300 composite index was up 3.83 at 4,193.75.

Volume was 47.63m shares valued at C$283.22m as advances outpaced declines by 288 to 277, with 294 issues unchanged.

Mexico

Mexican stocks were given encouragement in early trading by a cut in interest rates – the 28-day Cetes, or treasury bill, being trimmed by 47 basis points to 16.02 per cent.

The IPC index rose 11.25, or 0.5 per cent, to 2,224.34 in volume of 16.76m shares.

Activity among investors remained muted ahead of today's televised debate among candidates for the presidential election, which takes place later this year.

EUROPE

Bundesbank cuts make some strategists happy

The Bundesbank made a number of strategists happy yesterday, with its cuts of 50 basis points in the German discount and Lombard rates, *writes Our Markets Staff.*

Mr James Cornish, European market strategist at NatWest Securities, said the Bundesbank had helped to create conditions in which the US Federal Reserve could increase US short-term interest rates, and ease the global pressure on bond prices.

Bourses thought the same way, initially, extending Tuesday's gains; but the lack of immediate action from the Fed, and the approach of the Ascension Day holiday today, led them into more cautious attitudes by the end of the day.

FRANKFURT, where the Buba cuts came closest to home, had little time to respond during the session. The Dax index moved up 8.48 to 2,243.63 on the official day, but it held its gains and improved on them slightly in the post-bourse, where the Ibis-indicated Dax ended at 2,248.02.

Metallgesellschaft rose DM17, or 7.5 per cent to DM243 on a few small buy orders, and talk that a major Swiss bank had upgraded its recommendation on the stock.

In shipbuilding, Bremer Vulkan shares closed DM4.30, or 4.5 per cent higher at DM100.50 after news that the company expected a swing to profit in 1994 after a loss last year.

Turnover rose from DM7.95bn to DM8.6bn. The big energy and chemicals group, Veba, which lifted the market with its first quarter results on Tuesday, climbed another DM9.70 to DM537.

PARIS trimmed its intervention rate early in the day, before the news from Germany. The combination of events, along with expectations that a further rate cut will come next week, helped the CAC-40 index to a rise of 11.76 at 2,176.74.

Turnover was nearly FFr4bn.

Positive economic data – a rise in industrial productivity – was an added bonus, according to James Capel: "The manufacturing recovery is getting under way", said the broker, "and, given the buoyant optimism of surveys for March and April, the recovery has almost certainly gained further momentum since February".

BSN continued to rise following its statement on Tuesday that it was planning a series on international acquisitions, a gain of up FFr16 to FFr885 bringing its rise to 4 per cent on the week so far.

AMSTERDAM rose following the German rate cut, with the AEX index up 2.58 at 412.57.

But there were other matters on investors' minds. Royal Dutch slightly disappointed the market with its first quarter results and the shares shed 30 cents to Fl 205.70. Aegon, the insurer, was one of the session's best performers, adding Fl 2.50 at Fl 101.00 as it reported a 13 per cent increase in first-quarter profits.

ZURICH closed early ahead of today's holiday, and was unable to reflect the German cuts. The blue chip, SMI index held Tuesday's recovery and rose another 5.4 to 2,634.4, but it closed well below the day's high of 2,659.7.

Banks closed steady. Insurers were firm after Winterthur and Zurich Insurance reported surprisingly strong 1993 earnings growth earlier this week, the companies in question rising SFr19 to SFr689, and SFr22 to SFr1,255 respectively.

In chemicals, Roche certificates recovered SFr5 to SFr6,335; but their recent weakness continued after hours, with a fall to SFr6,310 in London. Nestlé registered, meanwhile, fell SFr12 to SFr1,102.

MADRID saw Mr Felipe González face parliament again to address the corruption cases which have bedevilled the socialist government. But unlike last week, when a confident prime ministerial performance lifted the market, yesterday closed with little response.

The general index closed just 0.49 higher at 321.48 in turnover of Pta32bn. Construction stocks did best, Uralita rising Pta90, or 6.7 per cent to Pta1,430, and Cubiertas Pta520, or 4.8 per cent to Pta11,432.

MILAN decided that the time had come to take profits after the prime minister, Mr Silvio Berlusconi, finally announced the members of his cabinet. The market was not swayed by an easing in interest rates by the central bank, and the Comit index ended down 7.10 at 810.07.

Mr John Stewart of Inter-Europa in Milan commented that the new administration still had to clear one hurdle – ratification of the cabinet by the senate on Monday.

Morgan Stanley said that the Bank of Italy was expected to maintain its policy and forecast that short-term rates could decline by up to 75 basis points by the end of September.

Ahead of its results due out today, Fiat slipped L230 to L7,010, while Fondiaria was off L880 or 5 per cent at L16,870 in reaction to Tuesday's disappointing figures.

STOCKHOLM, which closed early ahead of today's holiday, strengthened moderately in trading dominated by Ericsson and Volvo. The Affärsvärlden general index added 5.4 to 1,505.1.

Turnover rose to SKr8bn from Tuesday's SKr1.6bn.

Ericsson, which disappointed analysts with its first quarter results, announced on Tuesday, traded ex a dividend of SKr4.50 and closed the day off SKr4.00 at Skr396.00.

Volvo jumped SKr12 to SKr732 on rising expectations ahead of its first quarter earnings which are due next week.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

May 11 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1459.38	1459.51	1460.15	1457.94	1460.68	1455.85	1454.07	1458.12
FT-SE Eurotrack 200	1478.24	1477.22	1477.77	1474.70	1478.77	1473.29	1472.55	1473.45

	May 10	May 9	May 6	May 5	May 4
FT-SE Eurotrack 100	1455.39	1437.30	1450.63	1449.10	1447.88
FT-SE Eurotrack 200	1471.35	1452.04	1465.18	1468.74	1458.95

Base 1000 (26/10/90); High/day: 100 - 1461.18; 200 - 1478.31 Low/day: 100 - 1453.46 200 - 1472.15

ASIA PACIFIC

Nikkei back over 20,000 as region reviews its appeal

Tokyo

Further strength in the dollar against the yen took the Nikkei 225 average above the 20,000 level for the first time since April 19, *writes Emiko Terazono in Tokyo.*

The index advanced 232.35, or 1.2 per cent, to 20,150.13. It opened at the day's low of 20,001.10 and reached a high of 20,219.84 just before midsession on active buying by foreign investors and arbitrageurs.

Overnight gains on the US stock and bond markets, and the dollar's rise above the Y104 level against the yen, heartened investors. Rumours of credit tightening in the US and a cut in interest rates in Germany prompted buying of the dollar, while active dollar purchase intervention by the Bank of Japan also helped the yen to weaken.

The Topix index of all first section stocks gained 17.21 at 1,635.04 and the Nikkei 300 rose 3.29 to 299.59. Advances led declines by 795 to 226, with 158 issues unchanged. In London the ISE/Nikkei 50 index put on 4.44 at 1,341.98.

Some analysts said that yesterday's easing of the yen was not enough to boost prices further. Mr Rod Smyth, strategist at Baring Securities, said that the Nikkei would remain within a range of 18,500 to 21,000 in the short term. "We need something more significant for the Nikkei to break that range," he said, adding that evidence of a sustainable economic recovery in mid to late summer would support equities.

High-tech stocks firmed on the lower yen, with Hitachi moving up Y16 to Y974 and Sony Y250 to Y5,890. Car issues were also higher: Toyota Motor rose Y40 to Y2,010 and Nissan Motor Y13 to Y863.

Fuji Bank advanced Y60 to Y2,380 and Bank of Tokyo added Y30 at Y1,640 on arbitrage purchases.

Non-life companies gained ground on reports that they would lift rates later this year: Tokio Marine and Fire appreciated Y40 to Y1,330 and Sumitomo Marine and Fire firmed Y20 to Y1,000.

Some retailers encountered profit-taking. Daiei, the largest supermarket chain, lost Y20 at Y1,740 and Ito-Yokado declined Y20 to Y5,410.

In Osaka, the OSE average improved 248.99 to 22,327.56 in volume of 33m shares.

Roundup

Overnight recovery in the US equity market allowed most of the region's stock markets to look at their attractions, rather than their drawbacks.

HONG KONG recalled that it was on a market price/earnings ratio of only 12 when it touched a recent low of 8,300. Institutional buying intensified and the Hang Seng index accelerated its recovery with a rise of 366.07, or 4.3 per cent, to 8,906.16.

Brokers said activity in futures contributed to the rise as overseas fund managers snapped up key index components such as Hong Kong Telecom, which climbed 60 cents to HK$14.70 and HSBC, up HK$2.50 at HK$85.

Heavy futures turnover was echoed by a preliminary advance from HK$3.09bn to HK$5.06bn in the cash market. Cheung Kong, whose p/e ratio was as low as seven times recently, topped the active list as it strengthened HK$2.25, or 6.4 per cent, to HK$37.25.

SYDNEY liked the lack of surprises in the federal budget and the All Ordinaries index closed 26.4 higher at 2,034.6 in turnover of A$696.4m. News Corp improved 10 cents to A$8.91 after a fall of 24 cents on Tuesday.

CRA soared 53 cents to A$17.14 and BHP 40 cents to A$16.68 as firmer commodity prices continued to push the resource sector higher. MIM climbed by 21 cents to A$3.07 and topped the volume charts with 11.16m shares changing hands; yesterday's price on the opposing page was in error.

SEOUL scraped its way to a sixth successive gain, the composite index closing 1.51 ahead at 948.91 after a day's peak of 955.59. **TAIPEI** ended above the 6,000 resistance level on late buying in industrials, the weighted index adding 87.10, or 1.5 per cent, at 6,024.47 as turnover expanded from T$57.05bn to T$61.96bn.

MANILA was led higher by the US-quoted telephone stock PLDT, and while profit-taking pared its gains the composite index ended 38.82 stronger at 2,952.27. PLDT finished 30 pesos up at 1,860 pesos, after a high of 1,880.

WELLINGTON put in a notable rally in line with other world equity markets, gains in US treasuries, and Australasian debt markets after the Australian budget. The NZSE-40 index closed 33.26 ahead at 2,063.84.

KARACHI dropped sharply, down for the fourth straight session on nervous selling by short-term players. The KSE 100 index finished 55.65, or 2.5 per cent, lower at 2,182.37.

SOUTH AFRICA

Local bargain hunters lifted industrials from morning lows, but gold shares continued to drift in fear of a bullion price retreat. The overall index added 16 at 5,456, incorporating an industrial index 31 better at 6,640 and golds 14 points lower at 1,877.

Taking the pioneer trail to Cambodia

By John Pitt

The attention of the global investor in emerging markets is turning more and more to the exotic. As some of the established markets – such as Turkey and India – have failed, so far, to sustain in 1994 the sort of returns that made them glittering successes last year, such an attitude might appear reasonable. In the case of Morgan Stanley's Mr Barton Biggs it is more like being a pioneer.

In a research note published recently on Cambodia, Mr Biggs, the US investment bank's director of global strategy, suggests that investors "have one chance in three of making no money or losing their entire investment in the next five years, because the country's survival is still at risk; one chance in three of making 500 per cent; and one chance in three of realising a 1,000 per cent gain".

Of course, there are certain barriers at present to any sort of foreign investment – to begin with the country does not yet have a stock exchange.

This is not a problem, says Mr Biggs. "The adventurous can acquire real estate, or approach companies directly and buy stakes. The Ministry of Finance and central bank [have] plans to privatise power and telecommunications in the near future and a stock exchange is clearly on the drawing board."

For the moment, fundamentals are improving: a new government has reduced inflation from 200 per cent to virtually nil, the currency has been stabilised and 1993 GDP growth was 6 per cent.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: May 6 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: May 6 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(210)	563.59	-6.9	-13.4			
Argentina	(25)	871.17	-0.7	-12.4	534,571.11	-0.7	-12.4
Brazil	(57)	205.51	-19.3	-11.7	394,925,996.6	-12.5	+288.6
Chile	(25)	591.35	-2.0	+7.2	1,008.48	-2.3	+5.8
Colombia[1]	(11)	930.45	+2.8	+44.3	1,385.91	+3.3	+49.5
Mexico	(69)	813.81	-4.7	-18.7	1,160.20	-3.9	-13.5
Peru[2]	(11)	148.62	+4.9	+22.9	197.67	+4.7	+24.3
Venezuela[3]	(12)	528.30	-2.3	-10.7	1,582.71	+2.7	+11.4
Asia	(557)	240.15	-1.1	-17.5			
China[4]	(18)	89.60	-5.2	-40.0	98.13	-5.4	-40.2
South Korea[5]	(156)	129.64	+4.8	+9.7	137.33	+4.6	+9.4
Philippines	(18)	291.39	+6.9	-14.4	374.45	+4.3	-15.7
Taiwan, China[6]	(90)	134.28	+4.3	-0.7	133.19	+4.3	-0.4
India[7]	(76)	122.98	+0.9	+5.6	136.00	+0.1	+5.6
Indonesia[8]	(37)	95.80	+0.9	-23.2	112.27	+0.8	-21.1
Malaysia	(105)	265.04	-3.1	-21.8	258.42	-4.4	-23.3
Pakistan[9]	(15)	385.86	-2.0	-0.5	533.58	-2.0	+1.0
Sri Lanka[10]	(5)	160.30	+4.8	+1.7	192.31	+4.8	+0.7
Thailand	(55)	349.74	-2.3	-26.8	349.81	-2.4	-27.6
Euro/Mid East	(125)	103.75	+2.5	-38.7			
Greece	(25)	246.09	-1.3	+8.1	407.48	-0.5	+6.0
Hungary[11]	(5)	212.44	-0.0	+27.5	261.77	+0.2	+29.7
Jordan	(13)	170.39	+8.1	+2.9	245.03	+4.7	+2.3
Poland[12]	(12)	652.87	-1.5	-20.2	922.53	-1.7	-16.4
Portugal	(25)	121.90	-5.3	+7.1	143.46	-4.5	+3.9
Turkey[13]	(40)	75.50	+14.0	-64.5	1,193.03	+12.4	-18.0
Zimbabwe[14]	(5)	272.35	-0.0	+34.8	322.26	+0.2	+50.8
Composite	(892)	294.40	-3.7	-17.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Tue May 10 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon May 9 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (69)	165.19	0.5	164.26	108.49	143.47	151.89	0.1	3.81	164.39	162.93	106.90	141.89	151.75	189.15	130.19	135.47
Austria (17)	173.69	0.0	172.71	114.07	150.84	150.44	0.7	0.99	173.62	172.07	112.91	149.65	149.47	195.41	139.63	141.52
Belgium (42)	172.99	-0.8	172.01	113.61	150.24	146.68	-0.1	3.72	174.46	172.89	113.44	150.36	146.79	176.67	141.92	146.51
Canada (106)	127.78	0.6	127.06	83.92	110.98	127.44	0.4	2.65	127.01	125.87	82.59	109.47	126.95	145.31	121.46	127.04
Denmark (33)	254.50	-0.7	253.06	167.15	221.03	226.17	0.0	0.96	256.38	254.04	166.69	220.93	226.18	275.79	207.68	220.63
Finland (22)	148.76	-0.7	147.92	97.70	129.19	169.46	0.0	0.88	149.82	148.49	97.43	129.13	169.42	158.72	85.54	96.65
France (98)	174.85	0.3	173.87	114.90	151.94	157.00	1.0	2.87	174.35	172.79	113.38	150.27	155.39	185.37	149.60	158.10
Germany (58)	142.85	-0.2	142.05	93.82	124.06	124.06	0.6	1.86	143.10	141.82	93.06	123.34	123.34	147.07	107.59	110.72
Hong Kong (56)	347.88	1.2	345.92	228.48	302.13	345.08	1.2	3.08	343.83	340.76	223.59	296.35	341.11	506.56	271.42	273.28
Ireland (14)	184.30	-0.8	183.26	121.04	160.06	178.76	-0.2	3.37	185.70	184.04	120.76	160.06	179.11	209.33	155.93	157.70
Italy (60)	97.78	1.4	97.23	64.22	84.92	116.44	1.7	1.51	96.46	95.60	62.73	83.14	114.50	97.78	67.88	68.22
Japan (469)	155.87	-0.5	154.99	102.37	135.37	102.37	0.5	0.79	158.68	156.29	101.89	135.05	101.89	165.91	124.54	145.92
Malaysia (98)	471.86	1.3	469.20	309.90	409.81	475.40	1.5	1.43	465.68	461.52	302.83	401.38	468.37	621.63	312.51	323.08
Mexico (18)	1844.29	-1.0	1833.88	1211.27	1601.71	6694.63	-1.2	1.16	1862.09	1845.44	1210.89	1604.92	6779.57	2647.08	1431.17	1513.67
Netherland (26)	201.63	0.2	200.50	132.43	175.12	172.60	1.0	3.25	201.28	199.48	130.89	173.48	170.95	207.43	163.30	168.71
New Zealand (14)	64.34	-0.4	63.98	42.26	55.88	58.83	-0.6	4.05	64.57	64.00	41.99	55.66	59.19	77.59	46.62	46.70
Norway (23)	192.92	0.0	191.83	126.70	167.54	189.84	0.8	1.75	192.90	191.18	125.44	166.26	188.33	206.42	150.61	157.78
Singapore (44)	335.79	0.1	333.90	220.54	291.63	240.24	0.2	1.87	335.59	332.60	218.23	289.25	239.67	376.92	238.62	238.62
South Africa (59)	268.43	0.0	266.92	176.30	233.13	278.69	0.0	2.22	268.43	266.04	174.56	231.38	278.69	280.26	175.93	185.37
Spain (42)	141.12	1.6	140.32	92.68	122.55	146.73	2.3	4.06	138.88	137.64	90.31	119.70	143.42	155.79	116.33	127.11
Sweden (36)	223.73	-0.3	222.47	146.94	194.31	256.49	0.4	1.55	224.41	222.40	145.93	193.42	255.42	230.02	163.85	175.57
Switzerland (48)	151.39	1.0	150.54	99.43	131.48	134.12	2.0	1.80	149.91	148.57	97.49	129.21	131.48	178.56	121.14	121.14
United Kingdom (205)	191.92	0.7	190.84	126.05	166.68	190.84	1.1	3.88	190.51	188.81	123.89	164.20	188.81	214.96	170.32	178.23
USA (519)	181.64	0.8	180.61	119.29	157.75	181.64	0.8	2.94	180.13	178.52	117.14	155.25	180.13	198.04	178.95	181.06
EUROPE (734)	169.60	0.5	168.64	111.38	147.29	160.32	1.1	2.89	168.76	167.27	109.75	145.47	158.63	178.56	141.58	144.51
Nordic (114)	211.73	-0.4	210.53	139.06	183.88	212.15	0.3	1.33	212.66	210.76	138.29	183.29	211.54	220.60	156.82	166.49
Pacific Basin (750)	163.26	-0.3	162.34	107.22	141.79	111.84	0.5	1.08	163.78	162.32	106.50	141.16	111.06	168.80	134.79	149.17
Euro-Pacific (1474)	165.74	0.0	164.81	108.85	143.94	130.67	0.6	1.85	165.71	164.23	107.76	142.82	129.70	170.78	141.98	147.14
North America (625)	178.29	0.8	177.28	117.10	154.84	177.89	0.8	2.93	176.83	175.25	114.99	152.41	176.45	192.73	175.67	177.70
Europe Ex. UK (519)	153.62	0.3	152.76	100.90	133.42	141.27	1.1	2.29	153.12	151.75	99.57	131.97	139.79	157.47	122.37	124.89
Pacific Ex. Japan (281)	236.87	0.8	235.53	155.57	205.72	214.38	0.8	2.78	234.90	232.80	152.75	202.46	212.75	298.21	181.46	191.46
World Ex. US (1657)	166.64	0.0	165.70	109.44	144.72	133.73	0.7	1.87	166.60	165.11	108.34	143.59	132.79	172.51	142.94	147.67
World Ex. UK (1971)	168.56	0.3	167.61	110.70	146.39	144.73	0.7	2.07	168.12	166.62	109.32	144.90	143.70	175.58	153.22	156.09
World Ex. So. Af. (2117)	170.03	0.3	169.07	111.67	147.67	147.86	0.8	2.25	169.50	167.98	110.22	146.09	146.75	178.56	156.00	157.80
World Ex. Japan (1707)	180.60	0.7	179.48	118.55	156.76	175.69	0.9	2.87	179.31	177.70	116.60	154.54	174.17	195.20	165.70	168.06
The World Index (2176)	170.62	0.3	169.66	112.06	148.18	148.84	0.8	2.25	170.10	168.58	110.61	146.61	147.73	178.97	155.17	157.87

Constituent change with effect 18/5/94: Addition: Rautaruukki (Finland). Name change 11/5/94: Nova Corp. of Alberta to Nova Corp. (Canada). Latest prices were unavailable for this edition. South African market closed 10/5/94.